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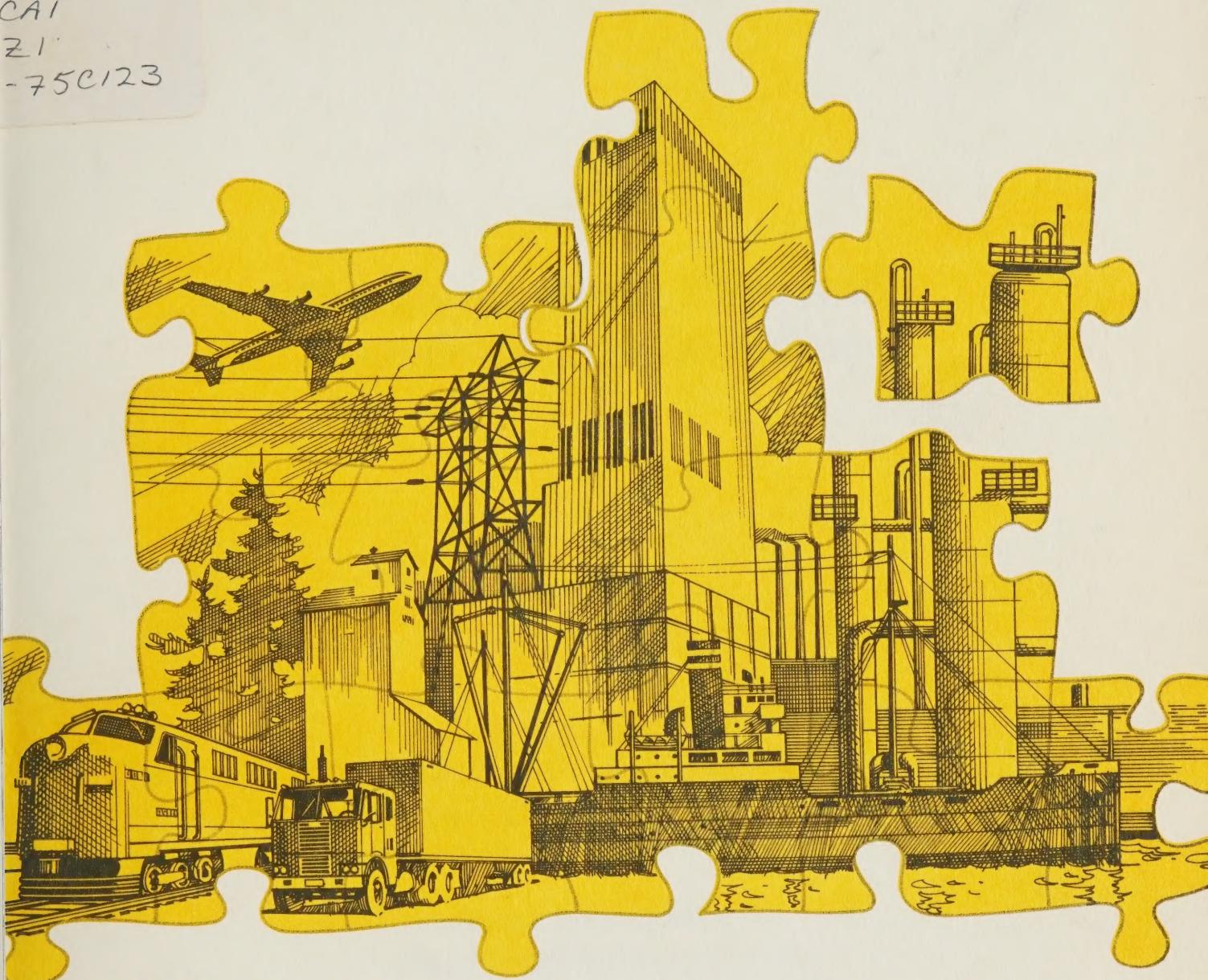


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Royal Commission on Corporate Concentration

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STUDY NO. 23

The Newspaper Firm and Freedom of Information

A Technical Study

Royal Commission on Corporate Concentration

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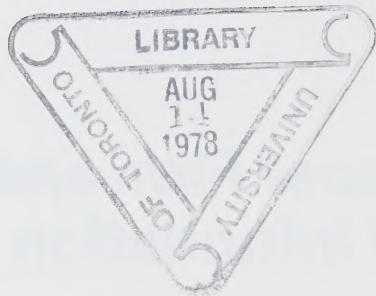
The Newspaper Firm and Freedom of Information

by

Yvan Allaire Ph.D.
Université du Québec à Montréal
Roger-Emile Miller, D.Sc.
Université du Québec à Montréal

with the collaboration of
Paul Dell'Aniello, Ph.D.
Université du Québec à Montréal

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FOREWORD

. In April 1975, the Royal Commission on Corporate Concentration was appointed to "inquire into, report upon, and make recommendations concerning:

- (a) the nature and role of major concentrations of corporate power in Canada;
- (b) the economic and social implications for the public interest of such concentrations; and
- (c) whether safeguards exist or may be required to protect the public interest in the presence of such concentrations."

To gather informed opinion, the Commission invited briefs from interested persons and organizations and held hearings across Canada beginning in November 1975. In addition, the Commission organized a number of research projects relevant to its inquiry.

This study on the relationship between the newspaper La Presse and its corporate parent Power Corporation, is one of a series of background studies prepared for the Commission. It looks at the history of La Presse, the acquisition of the newspaper by Messrs. Paul Desmarais and Jean Parisien, the structure of relationships between the two corporations, and the direct and indirect influence of the owners on news reporting. The study was written originally in the French language; this translation was prepared by Commission staff.

The authors are Yvan Allaire, Roger-Emile Miller, and Paul Dell'Aniello, who are affiliated with the Université du Québec à Montréal, and with Secor, Inc., a Montréal based research firm specializing in the study of complex organizations.

The Commission is publishing this and other background studies in the public interest. We emphasize, however, that the analyses presented and conclusions reached are those of the author, and do not necessarily reflect the views of the Commission or its staff.

Donald N. Thompson
Director of Research

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INTRODUCTION

The expression "the newspaper industry" vividly captures the paradox and dilemma of the Press in the Western world.

For some people, the publishing of information is but another form of economic activity to be undertaken by private organizations and subjected to the rigorous imperatives of rational administration and profitability. For others, however, the Press is an almost sacred institution which cannot and should not be regarded as just another business. It is, in this view, unthinkable that such an exalted institution - pillar of democracy, beacon of creeping absolutism, buttress of pluralism - should be subjected to the vulgar laws of commerce and economics. Yet, it is. And even to those who do not subscribe to this idyllic concept of the Press, the trends in newspaper ownership brought about by economics and technology have been cause for concern.

For the last twenty years, technological, market and managerial developments have fostered the emergence of large-scale organizations in many areas of economic endeavour. The press industry has been no exception, showing a general increase in concentration of ownership; fewer but larger newspapers firms are owned by a smaller number of different individuals or corporations.

It is hardly surprising that this increase in concentration should cause disquiet. Efforts therefore continue to be made to find the institutional arrangements which would best ensure the existence and the durability of a vigilant and diversified press. A paraphrasing of Winston Churchill's famous saying may be of some relevance here: the private ownership of the news media may be the worst formula, except for all the other formulas under consideration. As for which specific form of private ownership is "best" for the media, opinions and actual experiences are numerous, but no single form has yet shown to be in any way superior to any other.

The purpose of this study is not to settle this debate but, rather, by the detailed analysis of a specific situation, to contribute to our understanding of the means of control and influence by the owners of a press organization. Thus placing in abeyance the social and philosophical aspects of private ownership in this sector, we have sought to study the workings of a particular press organization, always alert for signs of intervention (by top management or owners), be they direct or indirect (through the use of bureaucratic measures of one kind or another).

This study has therefore enabled us to provide a detailed description of the inner workings of a large newspaper including the delicate and complex mechanisms for the selection of news items and information to be published.

This report is the result of the efforts of many people of whom only two are authors. We would like therefore to express our gratitude for their excellent work to the team which structured and typed a text which had its difficult passages; many thanks to Hélène Marchand, Pauline Chevrier, Marie-Andrée Lefebvre and Johanne Laplante. Thanks also to all those who were interviewed for their prompt cooperation in this investigation.

CHAPTER I
THE NEWSPAPER INDUSTRY AND INFORMATION

The fundamental premise that underlies the concept of the freedom of the Press in democratic society is the capacity of the citizen to make sound decisions in the light of objective information freely available to him. Thus, in order to ensure the free dissemination of information, our society has always preferred a press industry characterised by the existence of many varied newspapers and minimal government intervention. This preference rests upon the basic belief that freedom of information is ensured by healthy ideological and economic competition among newspapers. Readers then have access to several sources of information, which enable them to make informed political judgments. In this view, the existence of multiple sources of news is possible only insofar as newspapers are owned by independent and competitive private groups.

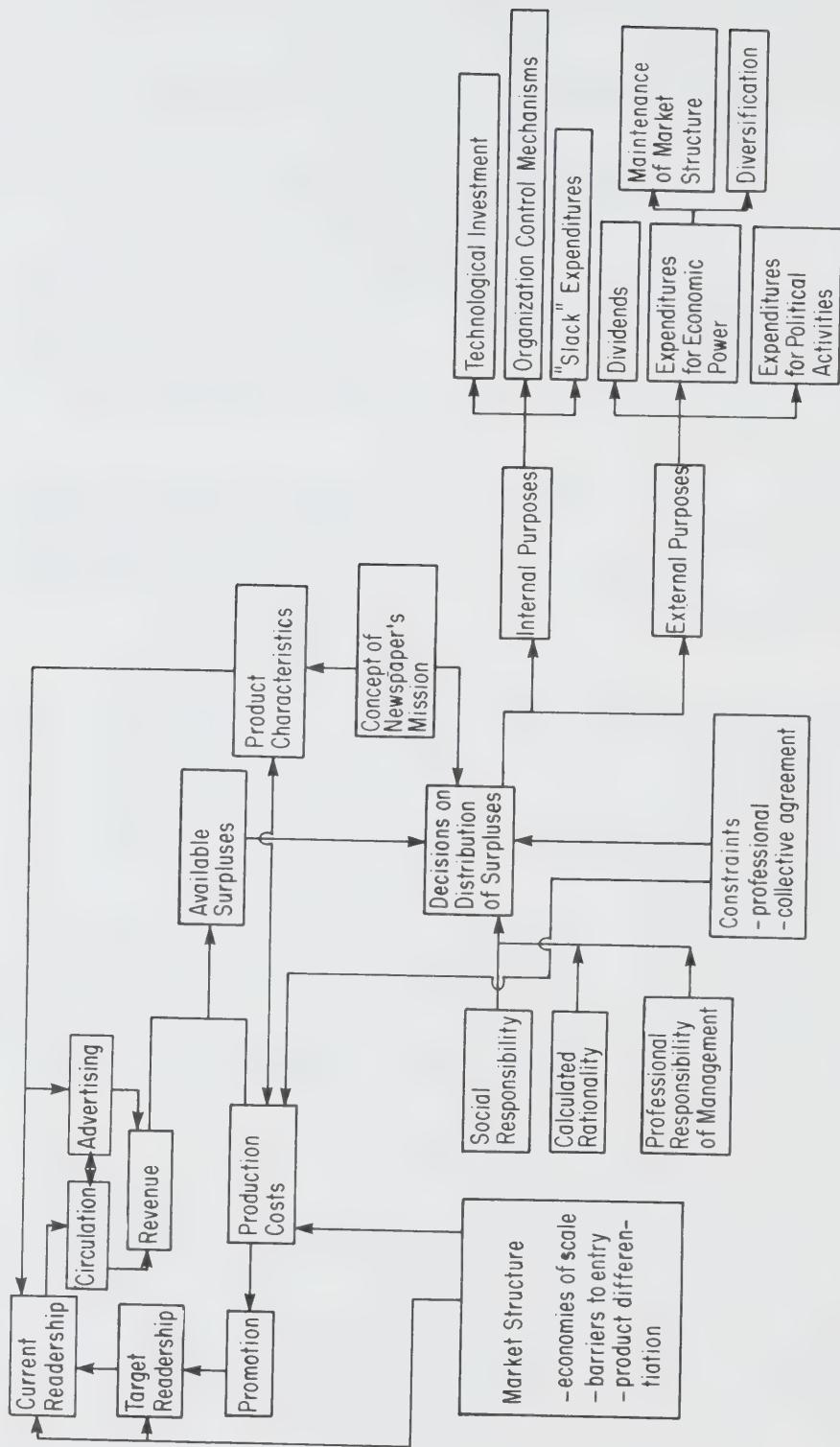
However, this desirable state of ideological and economic diversity in the press industry is undermined by economic, technological and administrative trends, which set in motion a powerful process of economic concentration. This evolution has resulted in a greater proportion of newspapers being owned by large companies able to raise the considerable financial resources required for an effective newspaper operation.

For the Press, like most organizations, is subject to the dynamic forces of economic efficiency created by technical and administrative innovations, and bureaucratic rationalization. These forces have led, in many areas, to market structures characterized by a small number of large competitors. In the particular case of the media industry, this evolution has taken the form of mergers and outright purchases, resulting in a concentration of ownership in the hands of private financial groups or companies specialized in mass media activities. Concentration, whatever its form, increases the economic power of mass media organizations, which in turn bring up the problem of the political influence they may exert on their employees and readers. In this introductory chapter, we propose to study the real sources of influence in the handling of information and the economic dimensions of the newspaper business. To conclude the chapter, we shall specify the study's objectives and outline the particular form of research we used.

1.1 The Real Sources of Influence on News

Besides being complex, economic and technical systems (a subject with which we shall deal in detail later), newspapers are also organizations of people whose main function is to gather and disseminate news. Newsmen must make constant and innumerable choices from a mass of facts reaching the newsroom daily via wire agencies or gathered by reporters. The processes and mechanisms used in the selection of news may be affected by several internal factors, as well as by external factors, as shown in Table 1.1.

ECONOMIC SYSTEM IN A NEWSPAPER ORGANIZATION



Attempts to influence content may take the form of occasional interventions or of the setting up of organizational control mechanisms.

1.1.1 External Influences

External influences on the quality of information can be felt at several levels within the organization and related to many factors. Such attempts could take the form of direct intervention, as shown in Table 1.2. Politicians, labor unions, owners and even readers, not to mention advertisers, can, at least in theory, apply pressure on a newspaper's management and its owners to alter news content. For example, and in theory, it is possible to imagine that some of those who hold political power could cause the news content to be altered in many ways - for instance at the very stage of preparation and distribution of news releases. This is plausible, especially when taking into account certain close relationships between members of senior management and owners, and political power holders who could at times exert subtle pressures.

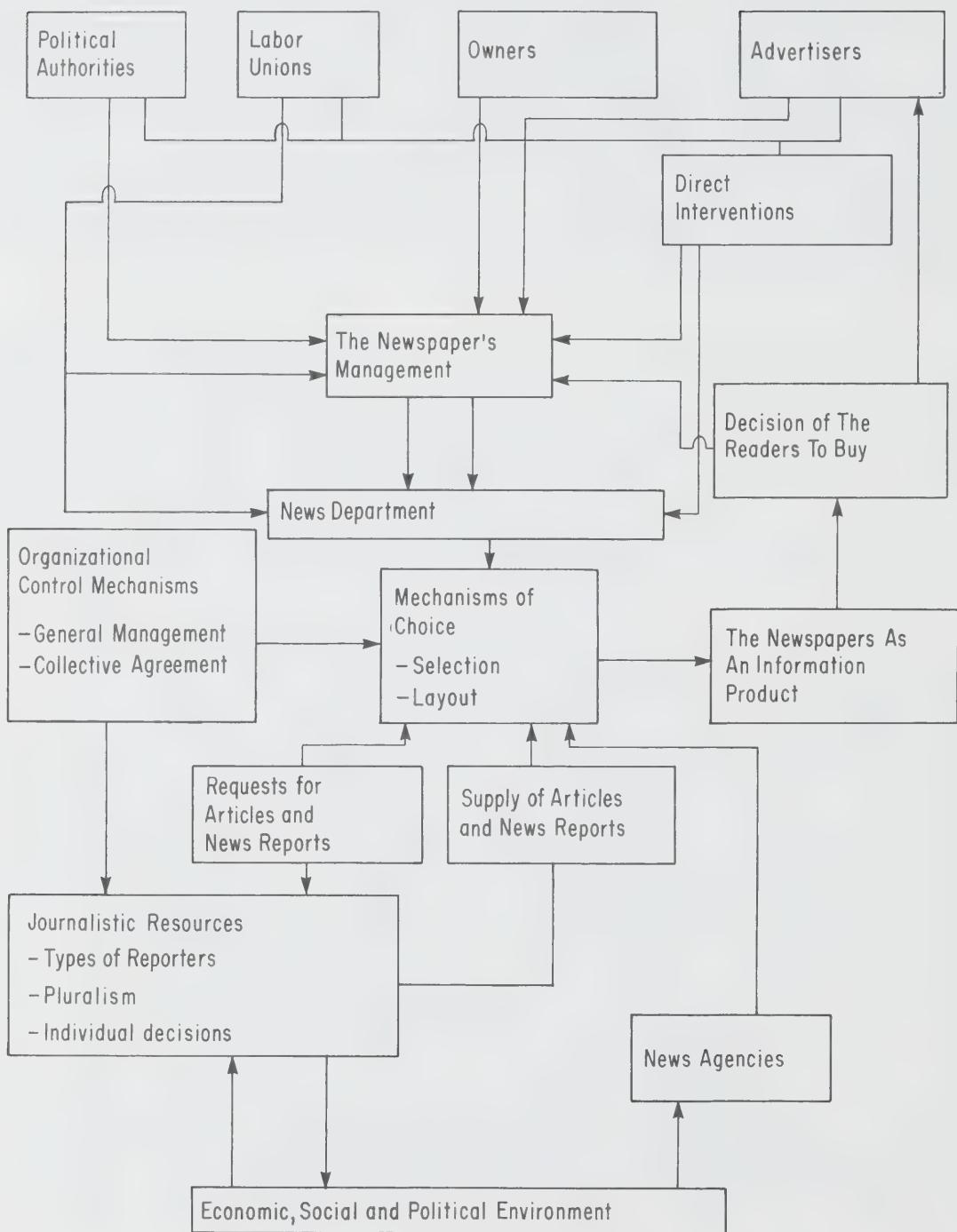
There are many circumstances when such pressures could be applied through official or informal communications between journalistic élites and political or other élites. Furthermore, the dependence of journalists and news organizations on news releases from political Cabinet members, labor unions and vested interest groups could appreciably increase the possibilities that the news will be distorted. Moreover, taking into consideration the importance of revenue for a newspaper, conditions that favor intervention by advertisers do exist: for example, an editor with financial problems might yield to certain requests from outside in order not to lose his newspaper's sources of revenue.

The owners, who in principle are committed to the same impartiality as the managers, can easily influence the general orientation of a newspaper and thereby can influence news content in many different ways. Thus, through selection of managers at the supervisory level, the choice of editorial writers and journalists, monetary and intangible rewards, biased guidelines and direct intervention, owners can considerably influence the handling of the news. We could identify at this point several authors who accept a priori the concept of a conspiracy of élites, and who believe that news can be manipulated not only by newspaper owners, but also by influential members of the dominant social class (Clement, 1975). On the other hand, we must not ignore the readers' buying habits which, over the long term, could alter news content. In fact, if a general information newspaper constantly mishandled news, and was not representative of social realities, it could lose part of its readership to a competitor. "Letters to the Editor" can also influence the management of a newspaper.

Finally, the leaders of labor unions and professional organizations could also try to alter news content in various ways -- for example, by suggesting that journalists and union leaders stress certain chosen topics and suppress others for reasons of labor solidarity.

Table I.2

POTENTIAL SOURCES OF INFLUENCE ON NEWS



1.1.2 Internal Influences

Attempts to alter news may come from within as well as from outside the organizations. In fact, there are many sources of internal influence from the journalist to the editor, via union representatives and supervisors in the newspaper's news department.

Before we briefly outline the internal factors that could alter news content, it should be stressed that when we mention news, we mean journalists' stories, headlines and dispatches from newswire agencies. Editorials are considered separately, since, although they do contain information, they usually take subjective stands that reflect the newspaper's ideology and the viewpoints of the writers. The editorial is a fundamental part of a newspaper, and its editor may share this responsibility with unionized journalists. Because newspaper managers attach great importance to editorials, it is quite possible that attempts at direct intervention be made and that organizational controls be set up. Many journalists believe that editorials should reflect ideological pluralism in outlook, others view them as a legitimate privilege of the owners and managers.

In order to understand fully the internal influences, we will first deal briefly with the ways in which journalists could alter news content. Next, the news selection methods will be examined. Finally, we shall study the organizational control mechanisms through which management (or a union, as the case may be), can alter news content.

Journalistic Resources

Journalists, even though they may have adopted implicit or explicit professional ethical standards, can sometimes distort news. In fact, journalism is similar in many ways to social science research in that the gathering and interpretation of information include subjective judgments and possible evaluation. Similarly, the journalists' reports may be distorted because of his strong preferences and biases. The pressures of deadlines may also cause some reckless journalism. In this regard, it is interesting to study the self-criticism of the Washington Post's journalists, who tried to make a list of the causes of error in news dissemination -- for example, faulty understanding, confusion between real facts and rumors or propaganda, interpretation of facts on the basis of stereotypes or personal prejudices, and finally the overlooking (or the deliberate omission) of certain facts or events.

Furthermore, journalists may have different conceptions of their profession (Argyris, 1975). Traditional journalists consider themselves "reporters" whose task is to gather and sort news by limiting the possibilities of distortion to the absolute minimum, to try to present the facts in an orderly manner, letting the reader make his own judgments. Others see themselves as analyses who try to go beyond observed facts by writing articles which attempt to give meaning and structure to the observed facts. Finally, there are the activist reporters who try to change the world in which they live. Unlike the analysts, they don't hesitate to impose their points of view on the readers. They feel that facts have no meaning other than

within a predetermined framework. The proportions of journalists who subscribe to one or the other of the above approaches will determine in large part the extent to which the pluralistic views found within a society will be reflected in the local newspapers. But when such pluralism of ideas does not exist among journalists, there is an additional risk that news will be distorted.

The Handling of News and The Mechanisms of Selection

News and editorial content result from a subjective selection of social and political events. The selection is made by a great many interacting people within an organization that has adopted certain methods and specific mechanisms for news selection.

During internal news handling, all sorts of distortions continually alter the news content such as priority selection, post-priority selection, stereotypes, limited ability to perceive the facts, prejudices, mistakes, etc. James G. March and Herbert Simon of the Carnegie School have described human organizations in general as instruments for handling information. They have drawn up an inventory of the numerous distortions created by various parties through the organizational processes, such as conflicts, administrative hierarchy, distribution of the workload and organizational differentiation (March and Simon, 1958, Cyert and March, 1963). Thus, as in all human organizations, not only the top management but the middle and lower management as well as the journalists might alter the news.

News editors, for instance, edit articles chosen by the assignment editors and written by journalists. Other employees select articles from newswire-agency reports, and others are responsible for front-page layout. Because of the sheer mass of news, systematic selection procedures must be established. The preparation of the first page, the layout of articles and the selection from among the many news items are important regular activities. The news editors thus exercise considerable discretionary powers in selecting and presenting news which will eventually have an influence on readers' attitudes. In spite of the competition from electronic news media, newspapers remain an important source of information. The choice-of-information mechanisms call on the talents of many people. Thus we find people whose task is to edit articles written by other journalists. Others select particular stories from the mass of newswire agencies or who are responsible for the newspaper's layout.

Such work, although it is, jurisdictionally, the editor's responsibility, is in fact performed by the News Department's directors and the unionized managers because of the need for a division of labor.

1.1.3 Mechanisms for Organizational Control

One last source of internal influence on the contents of a newspaper would be the use of organizational control mechanisms. Management and the

unionized workers of a newspaper have the power to alter these mechanisms. In fact, a substantial part of management control mechanisms is accepted by journalists and most labor conflicts in this industry usually affect only a small proportion of organizational controls. Where there is conflict, the selection of methods of control and standards is jointly made by management and labor (Fox, 1974). The collective agreement not only explicitly defines some managerial rights, but also organizational standards and control mechanisms that are managerial rights (whether employees consider them legitimate or not), and the standards jointly set by the parties to the contract have an indirect but real influence on the contents of a newspaper.

Furthermore, unions can influence the manner in which news is presented by seeking, through negotiation, power sharing and a new definition of managerial rights which might lead to union intervention in the process of information selection.

By way of example, the following is a list of the general or specific mechanisms for organizational control:

General Mechanisms

- a) procedures and policies concerning recruitment, selection, promotion and remuneration;
- b) budgetary control and allocations;
- c) organizational climate: incentives to adopting a professional identification versus an organizational identification;
- d) intangible (symbolic) rewards and sanctions;
- e) communications structure and the assignment of responsibilities;
- f) a set of administrative rules and various types of labor contracts;
- g) training and development of personnel;
- h) style of leadership among senior management;
- i) a concept of the formal authority structure.

Mechanisms Specifically Related to Press Organizations

- a) procedures for the approval and editing of the newspaper's articles;
- b) control of headline writing;

- c) changes in target readerships;
- d) budget breakdown by subject (sports, investigations, international affairs);
- e) administrative setting for the journalists;
- f) financial inducements for the journalists' participation in professional activities (seminars, congresses, etc.);
- g) inducements to professional training;
- h) the turnover rate among journalists;
- i) editorial policy; numerous editorial writers with or without strong opinion leadership.

1.2 The Economics of Newspapers

Analysis of the newspaper industry may follow various pathways. Political scientists and sociologists have studied the role of the press within a democracy: transmission of objective information for use by a rational electorate; diffusion of the ideologies of the various élites in our pluralistic society. Economists and management are interested in the fact that newspapers, like all organizations have technological and economic underpinnings.

In the case of a newspaper, technology includes the complex decision-making process from the information-gathering stage, through the choice of newsworthy material to the preparation of the daily editions, the printing of the newspaper and its distribution to the readers. This complex system is subject on the one hand to economic constraints, and on the other hand to organizational exigencies stemming from the goals and style management. Managerial style determines the degree of participation and control within the environment which management, journalists and other employees make their individual decisions. As for the economic dimensions of a newspaper such as *La Presse*, we shall stress the sources of economic surpluses and their allocation. In order to understand better the interrelationships between the different economic elements of a newspaper, we have shown them in chart form (see Table 1.1), which illustrate the main components of a newspaper's economic system as well as its main decision-making centres.

The relationships shown in this Table begin with the box entitled Available Surplus, which shows that available surpluses are basically the difference between revenue and production costs. Circulation and advertising represent the two major sources of revenue.

A newspaper's circulation reflects the number of its readers; new readers result from advertising and from the recruitment of subscribers; losses of readers occur through cancelled or non-renewed subscriptions.

Successful recruitment results from a whole series of factors, such as the main features of the product, product price, marketing, product penetration and differentiation. Similarly, economies of scale affect production costs as well as circulation. Advertising revenues depend on circulation.

Our cursory economic analysis of the industry merely reveals that, under favorable circumstances, and in the words of Cyert and March (1963), a daily paper can enjoy organizational slack. We are primarily interested in the discretionary use of such slack. Once surpluses are available, they may be used for all sorts of internal and external purposes. How these surpluses are actually used will be determined not only by decision-making criteria used by senior management of the company, but also by economic and union constraints.

1.2.1 Distribution of Economic Surpluses

There are several criteria by which newspaper management makes its decisions regarding distribution of economic surpluses: social responsibility, economic rationality, and professional ethical standards. What we mean by social responsibility is the assumption by a company of social expenditures and costs for altruistic and intangible reasons and also because of a long-term perspective of the organization's interests and welfare. Economic rationality involves rigorous cost and revenue analyses based on both short and long-term economic horizons. Obviously, the distribution of funds will also be greatly influenced by management's beliefs about newspapers and journalism. One example will serve to illustrate what we mean. It is a known fact that the owners of The New York Times, Messrs. Adolf Ochs and his heirs, have always maintained that, to the extent that investors receive adequate returns, the funds available after dividends will be used to provide the conditions necessary to the proper functioning of the journalistic profession within the newspaper.

Distribution for Internal Purposes

There are several ways in which surpluses may be distributed: investment in technological equipment and properties, organizational control mechanisms and surplus expenditures.

a) Investments

Investment in the plant and equipment is important for a newspaper to operate smoothly. Because of wear and obsolescence of machinery, yearly investments should at the very least correspond to the yearly depreciation. As a newspaper decides to integrate its operations vertically and to systematize daily administration by using data processing equipment, it becomes increasingly imperative to use these surpluses for such investment purposes. We will return to this question in the section on financial analysis in Chapter II.

b) Control Mechanisms

Management of a newspaper may also invest a portion of its economic surpluses in managerial and organizational control mechanisms in order, for example, to increase its control over journalists and published material. Chapter III of this study will deal with that possibility. Among the organizational control procedures that must be considered are the allocation of human and monetary resources, the negotiation of "psychological contracts"* favorable to management, and the availability of discretionary funds to be used by management.

c) Additional Expenditures

Finally, the management of a paper could decide to provide management and employees with fringe benefits, travel expenses and luxurious facilities. These additional expenditures obviously constitute a buffer for difficult periods, for such costs can generally be eliminated more or less easily.

Distribution for external purposes

There are three types of external purposes to which economic surpluses may be assigned: dividends to shareholders; strategic expenditures designed to increase the economic power of the newspaper, and discretionary expenditures aimed at ensuring the company various forms of political power.

a) Dividends

The management of a newspaper may allot a portion of the surpluses for dividends either to remunerate shareholders or to maintain the value of the shares, in order to obtain long-term financing through the sale of shares.

b) Expenditures for economic power

In order to increase its market power in the press sector, management may use available economic surpluses to modify or maintain a market structure and thus be in a position to create new surpluses, that is additional profits. Such structural features make possible strategies the effects of which would be to increase market power through pricing, product and research policies that would be difficult to competitors to copy. Similarly, available economic surpluses set aside to increase economic power may also be used in order to make acquisitions, either in other sectors of the media (radio and television), or in related sectors such as publishing.

* - We shall elaborate on that subject in Chapter III.

c) Expenditures for political purposes

Finally, a portion of the available surpluses could be used to increase the political power of an organization. This may be accomplished by communication with political élites or by the use of influence to attempt the establishment of a legal climate favorable to the organization, and to make possible the enactment of special laws favoring the particular interests of the newspaper. In effect, such attempts to influence may take the form of organized lobbying activities and financial contributions to political parties.

1.3 The Framework and Methodology Of Our Study

Many observers believe that the typing in of newspapers with financial holdings threaten the freedom and autonomy of the press. Others believe this process to be healthy, since it ensures economic stability, which is indispensable to a newspaper and shields it from the sometimes more arbitrary influence of the owner-administrator.

Our aim is not to determine who is right or what is the kind of ownership that best suits a newspaper. We suggest a framework for analysis and empirical research that will enable us eventually to describe the form and extent of control applied by a given holding (Power Corporation) to a particular press undertaking, namely the newspaper La Presse. Our study describes the relationships and the forms of power and control between Power Corporation and La Presse, without passing judgment on the appropriateness of controls, the need for them, or their inherent dangers.

Our study is concerned only with the influences which the owners and senior management of La Presse could bring to bear to determine what information is either published or withheld from the public. We have had an opportunity to study specific cases of intervention as well as certain organizational control procedures, the purpose of which to alter the content of information. While it would have been interesting to analyze the possibilities of direct intervention by political powers, by labor unions and by advertisers, those factors are outside our terms of reference. For the same reason, we have excluded from our research such factors as the influences that the newsmen's union could have brought to bear on the selection of information, through use of their collective agreement or by other means.

The study was undertaken in four distinct stages. The first consists of an in-depth analysis of previous research in the field of organizational control, particularly in relation to press undertakings. More precisely, Stage One included the following:

1. An analysis of the theories and practices of organizational control. Our task was to make up an inventory of both the more obvious and direct control tactics and strategies as well as of the more subtle ones;

2. an evaluation of the relevance of many other studies and inquiries on press enterprises. To this end, we studied the press, first as an economic institution, and then as a professional organization and an artificial social system. Our aim was to indicate those scenarios of intervention by which owners and managers could influence the content of published news.
3. the drawing up of a research plan and a list of indicators allowing us to study direct intervention and control procedures.

Stage Two dealt with the study itself. That is, our purpose was to gather information so as to test our models of intervention and to discover facts that would shed greater light on the problem of control of information.

We held a series of meetings with members of La Presse's senior management. During our first meeting with Roger Lemelin, President and Editor of La Presse, we gave him a list of the subjects we wanted to study. Later, we had an opportunity to ask questions arising from our plan of analysis during interviews with the following people:

Jean-Marie Bérubé, Assistant to the President and Secretary-Treasurer;

Jean Sisto, Assistant Editor;

Claude Harvey, Comptroller;

Fernand Roy, Assistant to the President, Personnel and Operations;

Guy Pépin, Assistant to the President, Revenue;

Claude Caron, Assistant to the President

In order to better fulfill our mandate we felt it necessary also to meet top managers of Power Corporation and Gesca Ltée. To that end, we met with:

Paul Desmarais, President of Power Corporation and Chairman of the Board of Directors of La Presse;

John Rae, Vice-President of Gesca Ltée;

Frank Knowles, Vice-President of Power Corporation; and

Daniel Johnson, Secretary, Power Corporation

Stage Three of our study consisted of a series of meetings with journalists who were neither managers nor owners of La Presse, Gesca or Power Corporation. Our aim was to obtain supplementary information, study different approaches or gain new insights into direct and indirect means of intervention. During this phase we met:

Jules Bélieau, President of La Presse's section of the Syndicat général des communications, and a group of five unionized journalists of La Presse. This group was chosen by the officials of the La Presse section of the Syndicat général des communications.

The meetings we held with the above-mentioned persons during Stages Two and Three lasted approximately two hours each. In many cases, we have written reports of those meetings and have had them approved as accurately reflecting the general nature of our discussions.*

Finally, during Stage Four of our study, we collated and organized the material gathered during the first three stages.

1.3.1 An Outline of the Content of the Study

The study of direct and indirect interventions to which we referred earlier must be related to the historic, corporate and financial context of La Presse. Thus, in the next chapter, we will review the history of La Presse up to 1972. We will pay particular attention to the changes in ownership and the special legislation dealing with the ownership of the newspaper. Next we will study in detail the formal relationships between La Presse, Power Corporation and Gesca Ltée, that is financial and business relationships between La Presse and the various divisions of Power Corporation. We shall also study La Presse's official structures, its Board of Directors and its organizational chart. Moreover, we shall study the newspaper's style of management as well as the concepts of Mr. Roger Lemelin.

* - While we were engaged in our research, Hubert Aquin, then Literary Director of the Editions La Presse, published a letter addressed to Roger Lemelin (Le Devoir August 7, 1976, p. 8). In his letter Mr. Aquin stated: "The journalists at La Presse would be surprised (but deep down, perhaps not so surprised) to learn that even the Information Division takes orders from Guy Pépin and that, in spite of the security walls which should surround and protect freedom of information, Guy Pépin, the shadowman from Power Corporation, takes precedence before everyone else." Unfortunately, in spite of repeated efforts on our behalf (from September 1975 to August 1976), it was not possible for us to meet with Mr. Aquin or to induce him to answer in writing our request for additional information on these allegations. We have since learned of his death with much regret. We shall deal again with this particular case of possible intervention in Chapter III.

In Chapter Three, we shall deal with the influence that could be exerted on news content by managers and owners of La Presse. We will begin with a description of the organizational methods used in the selection of news. Next we will present a brief summary of possible cases of direct intervention. Then, we shall examine various mechanisms such as the use of financial resources, recruitment, selection and training of personnel, the reward system and the climate within the organization. Finally, we shall study the role played by the La Presse section of the Syndicat général des communications with respect to control mechanisms.

CHAPTER II

LA PRESSE: HISTORY AND PRESENT SITUATION

This chapter presents a brief history of La Presse from three viewpoints: changes of ownership, corporate evolution, and financial history.

The first section of the chapter presents a brief historical outline of the changes of ownership up to 1967, followed by a closer examination of the procedures through which Paul Desmarais and his associates gained control (through Gesca Limitée), and the subsequent evolution of La Presse. The second section concerns the administrative history of La Presse, i.e. the evolution of the structures, strategies and styles of management since its acquisition by Gesca Limitée, with particular attention paid to the reforms initiated since 1972 by Roger Lemelin, President and current Editor of La Presse. Finally, the third section focuses on the financial history of La Presse since its acquisition by Gesca Limitée. Two subjects are worthy of attention: first, the control and administrative contacts between La Presse, on the one hand, and Power Corporation or Gesca Limitée, on the other; and second, the financial results since 1965, that is, before and after acquisition by Gesca Limitée.

2.1 CHANGES OF OWNERSHIP: THE EVOLUTION OF LA PRESSE

La Presse has been given an important social and cultural mission by its many owners. In a brief prepared to the Special Senate Committee on the Mass Media, the management of La Presse described its mission as follows: "La Presse is committed to the social, moral, cultural and economic well-being of the population of the metropolitan region in Montreal in particular, and of the province of Quebec in general through the diffusion of news". (Dansereau and Bureau, 1970.)

La Presse, (in the fullest sense) is an established institution in the province of Quebec; its history and that of the province are closely intertwined. It is not our intention, however, to trace the general history of La Presse, but only to isolate important changes of ownership.

2.1.1 History: The Early Days of La Presse

October 20, 1884, marked the founding of the newspaper which was to become the French-language daily with the largest circulation in North America. At that time, newspapers in the province of Quebec were used more as political instruments than news disseminating bodies. To a large extent, their articles served as propaganda vehicles, and their news and information contents were subordinated to the political interests of their owners. La Presse was founded by Joseph Adolphe Chapleau, a former Quebec Premier and Member of Parliament in Ottawa, in order to thwart the efforts of his counterpart, Hector Louis Langevin, a newspaper owner and political rival

from the Conservative Party. Mr. Chapleau appointed journalist Arthur Dansereau and two administrative directors, Messrs. L.A. Sénécal and W.R. Blumhart to manage *La Presse*. Mr. Blumhart was primarily responsible for organizing the newspaper.

In 1886, *La Presse* became the property of notary Clément Dansereau (brother of the journalist) and Mr. A. Wurtele. The newspaper experienced some very difficult times, which resulted in its sale to a businessman and journalist, Mr. G.A. Nantel. Since the situation did not improve, the assets of *La Presse* were finally taken over by Trefflé Berthiaume, a printer from the newspaper, *La Minerve*. Under his direction, *La Presse* overcame its initial difficulties and overtook its competitors. It is interesting to note that at this time *La Presse* managed to remain aloof from its political sponsors. Less restricted in its orientation, the newspaper began to emphasize information and editorials on certain social problems of the time: labor unions, night-time work by women and children, and so on.

During a quarter of a century (until 1915), Mr. Berthiaume managed the newspaper, employing progressive technological means: linotypes, rotary presses, wireless telegraph. The circulation of *La Presse* rose from 14,000 to 125,000. Under his direction the company succeeded in developing the economic and human resource base that led to its becoming the largest French-language daily newspaper in North America.

After Mr. Berthiaume's death, *La Presse* remained the property of his family until 1967. His will dealt primarily with the manner in which he intended to bequeath the common and preferred shares of La Compagnie de Publication *La Presse Limitée*. More precisely, Mr. Berthiaume left the ownership of the actual shares to his grandchildren, but a lifelong interest from these shares to his children. Such a stipulation might conceivably lead to a conflict of interest between two generations, and sometimes even between the owners and directors. This is a classic situation with many family-owned businesses having reached their second or third generation of family shareholders (Guth, 1968).

In 1955, because of operational difficulties and in order to ensure the growth of the company, a group of family members requested Quebec's National Assembly to enact a private law enabling "such concerned persons, and in conformity with the wishes of the Honorable Trefflé Berthiaume, to ensure the financial and administrative stability of the important undertaking that is *La Presse*, to take any necessary action for the renovation and rapid modernization of a large portion of the machinery of the said company."

The consequences of this private Act, along with the will of Mr. Berthiaume, proved significant regarding the future ownership of *La Presse*. During the 1960s, Paul Desmarais, following personal investigation, decided to invest in the mass media sector in view of its profit-making opportunities.

2.1.2 Method of Purchase of La Presse followed
by Messrs. Paul Desmarais and Jean Parisien

In 1967, La Corporation de Valeurs Trans-Canada purchased all the shares of La Presse and as a result of complex financial arrangements between corporate bodies, effective control of the newspaper passed to Paul Desmarais and his associate, Jean Parisien, as early as 1967. In order to detail the changes of ownership and control, we must note the chronology of events in such companies as:

La Corporation de Valeurs Trans-Canada
Les Journaux Trans-Canada Limitée
Gesca Limitée
Gelco Enterprises
Power Corporation

In 1965, Gelco Enterprises, the head office of which is in Montreal, purchased 55% of the shares of La Corporation de Valeurs Trans-Canada. Throughout this transaction period the President of Gelco Enterprises was Paul Desmarais and the Vice-President was Jean Parisien.* The Gelco shares were then distributed as follows: 75%, Paul Desmarais and family trusts; 25%, Jean Parisien and family trusts.

In 1967, La Corporation de Valeurs Trans-Canada took two important steps: In April it founded Les Journaux Trans-Canada Limitée, and in August it purchased all the shares of La Presse. Having completed various transactions, Les Journaux Trans-Canada Limitée took over the ownership of La Tribune in Sherbrooke, the Nouvelliste in Trois-Rivières, as well as Dimanche-Matin and some of its subsidiaries. It was at this point in time that Messrs. Jacques Francoeur and Pierre Dansereau became shareholders of Les Journaux Trans-Canada Limitée.

The purchase of the shares of La Presse was effected with the approval of the Quebec National Assembly as stated in Section 2 of Act 15-16, Elizabeth II, Chapter CLXVIII. In effect, Mr. Berthiaume's will and deeds of fiduciary gifts stipulated that the common and preferred shares of La Presse might be sold only under certain conditions. It is for this reason that, when in 1967 La Corporation de Valeurs Trans-Canada wished to buy the common and preferred shares of La Presse, it was necessary for the Quebec Assembly to enact, on August 12, 1967, a law titled "An Act respecting the estate of the Honorable Trefflé Berthiaume and La Compagnie de Publication La Presse, Limitée." This private Act authorized "the trustees of the will and of the fiduciary gift to sell to La Corporation de Valeurs Trans-Canada Limitée all the common and preferred shares of La Presse..." provided that the effective control of La Corporation de Valeurs Trans-Canada would not change hands between May 1, 1967, and the date on which the said sale was completed."

* - Jean Parisien died on February 20, 1976.

Recognizing the importance of public interest in this transaction, and being acutely aware of the public importance of any potential change of ownership, the National Assembly added an important restrictive clause to this private Act of 1967, authorizing the sale of La Presse to La Corporation de Valeurs Trans-Canada. This clause stipulated that any potential purchaser would be compelled to obtain the prior authorization of the Legislature. The article read as follows:

"After the authorized sale to La Corporation de Valeurs Trans-Canada, no sale, assignment, transfer or pledge:

- a) of rights or of any number of shares of any company, the object or result of which would be to remove control of La Compagnie de Publication de La Presse, Limitée; or
- b) of a substantial part of the assets of the company... may not be validly made or agreed to, except with the authorization of the Legislature."

On April 26, 1968, Power Corporation made an offer to purchase all of the common shares of La Corporation de Valeurs Trans-Canada (CVTC). That offer expired on May 31, 1968. All the common shares were deposited. Gelco, which held 55% of the shares of La Corporation de Valeurs Trans-Canada, concluded a transaction at the same time with Mr. P. Thomson, Chairman of the Board of Power Corporation, giving Gelco 30.6% of the voting shares of Power Corporation. As a result of an agreement with Mr. Thomson, Gelco held more than 50% of the votes of Power Corporation. At this time, Mr. Desmarais became Chairman of the Board and Chief Executive Officer of Power Corporation.

In this takeover bid, it was indicated that La Corporation de Valeurs Trans-Canada would sell to Gelco or to a Gelco subsidiary all the shares it held in La Presse Limitée and Les Journaux Trans-Canada Limitée, in return for the issuing of non-voting securities. It was in this manner that on the same day, April 26, 1968, in order to meet the requirements of the Act of August 12, 1967 of the Quebec National Assembly regarding the control of La Presse, it was found necessary to establish a new corporation, Gesca Limitée, and to sell all the shares of La Presse to this new corporation. Accordingly Gelco, whose major shareholder is Paul Desmarais, became the sole owner of the shares of Gesca Limitée. In fact, following the takeover bid of La Corporation de Valeurs Trans-Canada by Power Corporation, Power could legally become the owner of the Corporation and thus La Presse, thereby contravening the Act of the Quebec National Assembly. As the offer to purchase was to expire on May 31, all transactions between Gesca, La Corporation de Valeurs Trans-Canada and Gelco had to be completed before that date. Gesca Limitée, purchaser of the shares of La Presse Limitée and Les Journaux Trans-Canada Limitée, then issued an income debenture of \$17,300,000 on May 28, 1968, in favor of La Corporation de Valeurs Trans-Canada. The income debenture issued by Gesca and held by CVTC thus became part of Power Corporation's consolidated portfolio as an investment held by La Corporation de Valeurs Trans-Canada, which is itself a wholly owned subsidiary of Power Corporation.

In April 1968, Gelco purchased all the preferred shares of La Presse, while Gesca Limitée purchased all the common shares of La Presse and of Les Journaux Trans-Canada. In December 1969, Messrs. Desmarais and Parisien personally acquired all the shares of Les Journaux Trans-Canada held by Gelco. In addition, Mr. Desmarais personally purchased all the preferred shares of La Presse. The ownership of Les Journaux Trans-Canada Limitée was distributed as follows:

		(A) Common	(B) Preferred ²
P. Desmarais	46.66% or	21,000	210,000
J. Parisien	15.56% or	7,000	70,000
P. Dansereau	4.45% or	2,000	20,000
J. Francoeur ³	33.33% or	<u>15,000</u>	<u>150,000</u>
		<u>45,000</u>	<u>450,000</u>

The ownership of La Presse was distributed as follows:

1. Preferred shares, 100% or 10,000 by Paul Desmarais personally;
2. Common shares, 100% or 7,500 by Gesca.

Under supplementary letters patent granted to La Presse on April 28, 1970, 15,000 authorized unissued preferred shares were withdrawn and the 10,000 preferred shares held by Mr. Paul Desmarais were repurchased. After this date there remained in circulation only 7,500 authorized issued common shares. These shares were held exclusively by Gesca Limitée. Under the same supplementary letters patent, 7,500 authorized common shares issued at a par value of \$100 each were amended, split and converted into one million common Class A shares and 500,000 common Class B shares, both without par value; and the authorized capital stock was increased by \$4 million in additional common Class A shares. Common Class A and Class B shares enjoy the same rights and privileges except with regard to voting rights. Common Class A shares allow one vote per share, while common Class B shares give a number of votes per share (relative to the total number of outstanding Class A shares) ensuring shareholders the majority vote. Currently, Class B shares allow three votes per share.

In order to finance the transaction whose result would give effective control of La Presse to Mr. Desmarais, it must be remembered that, in May 1968, Gesca sold to Corporation de Valeurs Trans-Canada an income debenture

1. In 1973, Gesca bought the remaining 17,000 shares from Messrs. Dansereau and Francoeur.
2. With voting rights.
3. Held personally by members of his family as well as the Société générale de publication.

worth \$17,300,000 due in the year 2,020. In April 1968, Gesca Limitée purchased all the shares of La Presse from Les Corporation de Valeurs Trans-Canada. Paul Desmarais effectively controlled La Presse, for Gesca Limitée (owner of La Presse), was controlled by Gelco, whose major shareholder was Mr. Desmarais. In short, before this transaction, Mr. Desmarais controlled La Presse through La Corporation de Valeurs Trans-Canada. Following the transaction, Mr. Desmarais held effective control of La Presse through Gesca Limitée and Gelco.

In December 1969 Gesca Limitée repurchased from La Corporation de Valeurs Trans-Canada the income debenture issued in May 1968. In December 1970 Gesca Limitée issued a new income debenture to the amount of \$19,750,000, which was purchased by Power Corporation. This was actually the first direct investment made by Power Corporation in the news sector. The currently outstanding debenture nominally valued at \$19,950,000 is based on the following calculation:

1. The amount of the debenture issued to Trans-Canada in 1968 namely \$17,300,000, representing the purchase price in 1967 of La Presse Limitée and of 62.2 per cent of Les Journaux Trans-Canada Limitée;
2. plus \$1,942,000 representing the financial expenses incurred by Gesca Limitée between December 1969 and December 1970; in other words, the period over which Power did not hold the debenture, since it had been repurchased in 1969 by Gesca Limitée;
3. plus \$508,000 representing the surplus paid in 1969 by Gesca Limitée to Power on the dividends received;
4. less \$150,000, the amount of an adjustment of the calculations regarding the \$19,750,000 resulting from transactions 1, 2, and 3 above, on April 4, 1972;
5. plus \$350,000, corresponding to an additional investment by Power in Gesca Limitée, in January 1973, Gesca having purchased from Pierre Dansereau his 4.45 per cent shares of Les Journaux Trans-Canada Limitée.

One of the major characteristics of this debenture is the conditional interest. This debenture constitutes an investment in Gesca Limitée on the part of Power. It does not involve indebtedness by La Presse to either party. La Presse is owned by Gesca, but the manner of financing this transaction imposes no fixed charges to Gesca with regard to Power, as Power may recuperate profits from La Presse, only if La Presse declared dividends. It can even be said that this debenture represents no fixed charges for La Presse. A trust agreement between Gesca Limitée and the Montreal Trust Company (as trustee) was signed on December 1, 1970, in order to clearly specify the details of the transaction relating to the debenture sold by Gesca to Power Corporation. In this agreement, the

characteristics of the debenture and the rights and obligations of the parties were outlined. To guarantee this loan, Gesca deposited with the trustee endorsed proof of ownership certificates of 1,000,000 common Class A shares and 500,000 common Class B shares without nominal or par value of La Presse Limitée. Gesca reserves the right to exercise a vote on these shares at all shareholders' meetings of La Presse Limitée until such time as a default may occur. Such default, which in effect would transfer the ownership of La Presse's shares to Power, could occur in the event that the debenture was not paid by the due date, or if the revenues to which Power has a right were not paid. The case of default of non-payment of the revenues provided for in Article 3 is unlikely, for the document leaves substantial latitude to the administrators of Gesca. In fact, the revenue to be received by the debenture holder and the net profits must be limited to the amount of the dividends declared from time to time by the Board of Directors of La Presse or Les Journaux Trans-Canada. Since the issue of this debenture, no dividends have either been declared or paid by La Presse to Gesca Limitée.

As is usual in long-term borrowing, especially when shares are deposited as a guarantee, the lender (Power) requires La Presse to obtain its permission if it wishes to sell a significant fraction of its assets or borrow considerable sums of money. In 1971 and 1972, Les Journaux Trans-Canada paid close to \$1,000,000 in dividends to Gesca Limitée.

Gesca Limitée makes nominations to the Board of Directors of La Presse. Power, as an income debenture holder, receives quarterly financial statements from La Presse, so that it can prepare its own financial statements.

2.2 A BRIEF ORGANIZATIONAL HISTORY OF LA PRESSE

In this section, we propose to outline highlights of the evolution of La Presse since its purchase by Messrs. Paul Desmarais and Jean Parisien, with special emphasis on the reforms introduced by Roger Lemelin, President and Editor since 1972.

2.2.1 Initial Reorganization and Labor Dispute

Following the acquisition of La Presse by Gesca, the new owners introduced an administrative structure and systems that emphasized marketing, research and management by objectives. That new formal and systematic managerial style offered several advantages but, as has been observed in other organizations during periods of major change, it created difficulties in the field of human relations.

Examination of the financial statements of La Presse enables us to notice rapid increases in administrative costs until 1972. Such increases undoubtedly reflected the costs of installing formal management systems. Several planning and control systems were implemented in order to achieve the policy of management by objectives. The formalization of these management methods produced favorable effects, but not without causing problems in a milieu where professional values play an important role.

In July 1971, in the wake of labor relations problems, the management of La Presse imposed a lock-out affecting shop employees. The dispute concerned the introduction of technical changes. The conflict lasted several months, for several weeks of which management and the news department continued to publish the newspaper. During the dispute, the parties concerned employed many strategies including security services and violent demonstrations. There was also police intervention. In October, management found it impossible to continue to publish in such a climate of tension. During the conflict, which then spread to news personnel, several attempts at mediation were made by the provincial government, by direct negotiation between the parties. The lockout was finally settled in February 1972. The management of La Presse proposed broadened professional conditions to the journalists who, for their part, dropped their principal self-management demands, including the right of veto on the selection of chief editorial writer. In addition, better working conditions were granted to all employees at La Presse, providing, for example, job security and increased protection from technical changes. Upon the departure of the Executive Vice-President, the Editor-in-Chief and the News Director and three Vice-Presidents, the continuity of management was provided by an assistant to the former News Director.

In June 1972, Roger Lemelin was appointed President and Editor of La Presse. It was a turning point for the newspaper. Those acquainted with his spirited personality, varied experience and straightforward style agreed that his appointment would leave a mark, not only on the development and orientation of La Presse, but also on the nature of the relations between La Presse and Power Corporation. Mr. Lemelin, better known to the public as an author, is also an alert businessman who has experience in several fields, particularly in the media. Shortly after his appointment Mr. Lemelin announced the appointment of an Assistant Editor with increased powers over the News Department. Then, the Research and Marketing Services were modified and their responsibilities assigned to the Advertising and Promotion Department. Finally, the Vice-president of Personnel submitted his resignation. Mr. Lemelin undertook to modify the basic structure as well as the decision-making processes of the corporation. Thus, he delegated greater powers to the directors of the various departments. La Presse now publicly recognizes the importance of its news department and grants its managers an important decision-making function regarding the contents of the newspaper.

With the cooperation of Mr. Desmarais, Mr. Lemelin instituted a Board of Directors representative of the principal sectors of social, cultural and economic activity of the province of Quebec. In addition, he decided to dispense with the position of Vice-president, and instead created positions of Assistant to the President. These assistants sit on the Board of Directors and share, as the new organizational chart indicates, the real responsibilities of the main sectors of the corporation. At the same time, Mr. Lemelin established a Management Committee of which his assistants are also members. This committee serves as a consulting body to the President. Efforts were made to decrease the importance of written communication between managers, and to increase contacts with the various unions.

2.2.2 Reforms Introduced Since 1972

This section relates in detail the reforms introduced since 1972 by Roger Lemelin. First, an outline of the major policies, the major corporate reforms especially with regard to the Board of Directors, the Management Committee and the reorganization of the news department is given. Second, a description of the current style of management at La Presse is presented.

The Broad Policies of the President and Editor of La Presse

In this section of our study, we try to identify the broad policies that bear the stamp of Mr. Lemelin.

A New Definition of La Presse

In 1972, Roger Lemelin prepared for the information of the Board of Directors of La Presse, a definition of the newspaper's mandate. According to this document, La Presse is essentially a means of disseminating news whose aim is to keep the readers abreast of the greatest possible number of significant events and acquaint them with the many facets of the news, thereby enabling them to form free and enlightened opinions. La Presse is not only a regional newspaper of Montreal's metropolitan area; it proposes to offer the largest possible source of information on the activities of the province of Quebec, Canada and the rest of the world.

In addition, La Presse extends its activities along two distinct channels: first, through diversification into other sectors of printed and electronic communication, as well as publishing; and second, by the publication of suburban newspapers in order to reflect the activities of the population within the Montreal region.

That definition of La Presse's mandate is in line with the principles established by the owners of Gesca, Messrs. Paul Desmarais and Jean Parisien (Gesca, 1970). Those principles are as follows:

1. The editorial position is to reflect the ideas of the editor;
2. the public has a right of access to accurate news. Consequently, employees of a newspaper must carry out their task with the greatest possible care and honesty, in view of the key role played by the news media in the formation of attitudes and decisions by the citizens;
3. newspapers belonging to the Gesca group will serve the interests and needs of the readers of the regional communities in which they are situated.

In short, the mission of La Presse is to be a reflection of Quebec society and the events taking place within it. Competition with the other news media, whose primary role is to broadcast the news, has led the

management of the newspaper to allocate increasingly greater journalistic resources to investigations and analyses in order to explain to the reader the "why" of events. As a result, the global expenditure of La Presse reflects and will increasingly reflect its efforts in analytical and interpretive reporting. The target of La Presse are francophones in the Montreal region whose level of education is somewhat above average readership.

Ideological Orientation

Roger Lemelin drafted for the Board of Directors a text on the ideological orientation of the newspaper. The Board of Directors discussed this document on several occasions, ultimately adopting the following text:

"Viewed as the greatest of its responsibilities toward the province of Quebec, La Presse through its journalists should uphold the fundamental concepts that govern the common good.

"La Presse demands absolute respect for the human person, religious beliefs and individual liberties, and will endeavor to denounce any intolerance threatening them.

"La Presse professes absolute faith in the democratic system of government which, though not without fault, remains nonetheless the most valid means by which to strike a precarious balance between the common good and individual interests.

"La Presse stands independent of all political organizations or parties. No government, financial power, group or individual shall sway it from its principal mission: to inform the reader honestly and as thoroughly as possible.

More Specific Ideological Attitudes Are As Follows:

Constitution: "La Presse believes in a strong Quebec within a Canadian confederation sufficiently flexible to fulfill the legitimate aspirations of Canadians of the French language and culture.

Language and Culture: "La Presse believes in a Quebec that will take individual and collective measures to preserve, enrich and extend the French language and culture. La Presse will use every possible means to assist French-Canadians to enrich their French and North American cultural personality in an atmosphere of accuracy and excellence."

Economics: "Basically, La Presse believes that the future of a prosperous Quebec lies primarily in the work ethic, personal discipline, competence and the spirit of individual initiative.

"La Presse believes in the free enterprise system as it is practised and evolves in the world, but endorses moderate systematic intervention by the State.

"La Presse closely monitors any trend that could induce governments to exceed the limits of healthy intervention.

Social: "La Presse will back any initiatives on the part of the State, groups or individuals endeavoring to correct social injustices."

Editorial writers are instructed to conform to this ideology. Such is not the case for reporters. In fact, the newspaper's management expects its journalists to be guided by professional standards and, more precisely, in the sense of the text prepared to this effect by Roger Lemelin:

"La Presse expects its journalists to conduct themselves as media professionals. La Presse will do everything in its power to facilitate materially and morally the free exercise of their duties in an atmosphere of objectivity and excellence. La Presse believes that, in journalism, the freedom of the communicator is conditioned by an inalienable imperative: the right of the reader to complete information, where he is left entirely free to reach his own conclusions.

Changes in the Corporate and Administrative Structures

In this section, we will examine three of the structural changes introduced by Mr. Roger Lemelin: the enlarged Board of Directors, the Management Committee and the reorganization of the News Department.

The Board of Directors

The highest legal authority at La Presse is the Board of Directors, which meets four times annually. The makeup of the Board was modified in 1972 to establish a forum of discussion representing at the same time the owners and senior management of La Presse, as well as representatives from the socio-economic sector. Senior managers and the socio-economic representatives receive shares qualifying them to sit on the Board of Directors of this corporation which in fact has a sole owner. In 1976, the Board consisted of the following persons:

- Paul Desmarais, Chairman of the Board, member since 1967;
- Mrs. Jacqueline Desmarais, member since 1976;
- Roger Lemelin, President and Editor of La Presse Limitée, member since 1972;
- Jean-Charles Bonenfant, Professor at l'Université Laval, member since 1972;
- Jean-Marie Bérubé, Secretary-Treasurer and Assistant to the President (Finance), member since 1975;
- Claude C. Frenette, Chairman of the Board of Intergroupe, member since 1972;
- Jean-Paul Léonard, Fiducie du Québec, member since 1972;
- Roland Parenteau, Professor at l'Université du Québec, member since 1972;

- Guy Pépin, Assistant to the President (Revenue), member since 1972;
- Marcel Piché, Lawyer, member since 1976;
- Fernand Roy, Assistant to the President (Personnel and Operations), member since 1975;
- Jean Sisto, Assistant Editor of La Presse Limitée, member since 1972.

The Board of Directors meets four times annually at the head office of La Presse in Montreal. The items on the agenda of the Board meetings are divided into two categories:

1. Legal and statutory questions;
2. Administrative business.

The powers of the Board of Directors, though legally broad, are nonetheless limited in their application. For example, the Board does not approve senior management appointments. These are generally announced by Mr. Lemelin. The Board of Directors is assisted by an Executive Committee composed of Paul Desmarais, Chairman of the Board; Roger Lemelin, President and Editor; Guy Pépin, Assistant to the President; Jean Sisto, Assistant-Editor, and Jean-Charles Bonenfant. This Executive Committee also meets four times annually. Nominations to the Board of Directors are generally proposed by Roger Lemelin and subsequently approved by the Board itself. Members of the Board of Directors receive directors' fees and their mandate is for a period of one year, renewable annually.

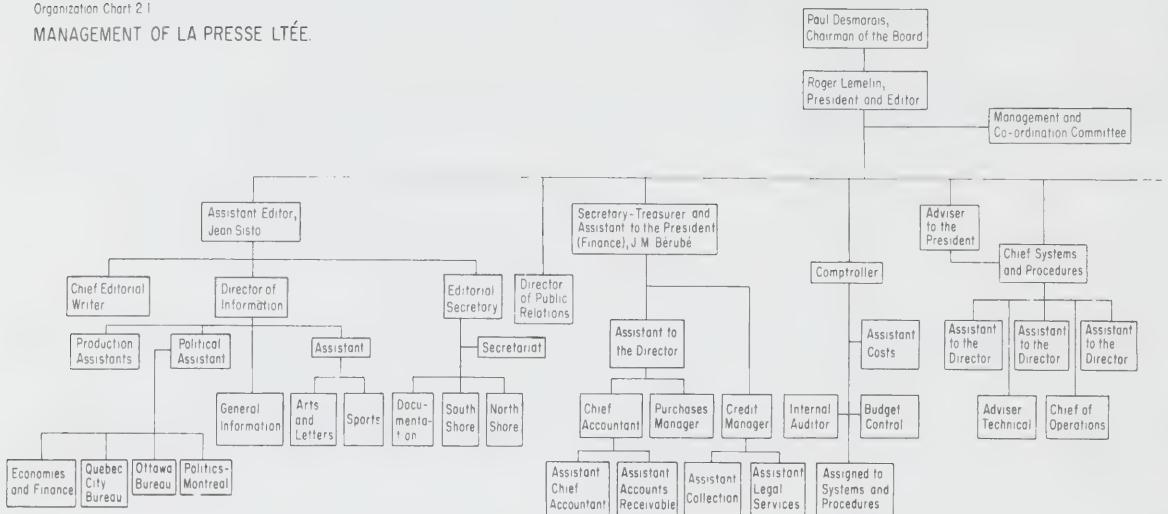
The Management Committee

The most important administrative and decision-making organism at La Presse is the Management Committee. This committee is subject to the right of veto of the President but it is collegial and its decisions are collective. The committee includes Roger Lemelin, President and Editor; Jean Sisto, Assistant Editor; Jean-Marie Bérubé, Assistant to the President (Finances); Fernand Roy, Assistant to the President (Personnel and Operations), and Guy Pépin, Assistant to the President (Revenue). This committee is responsible for current activities and administrative problems, and meets at least once a week.

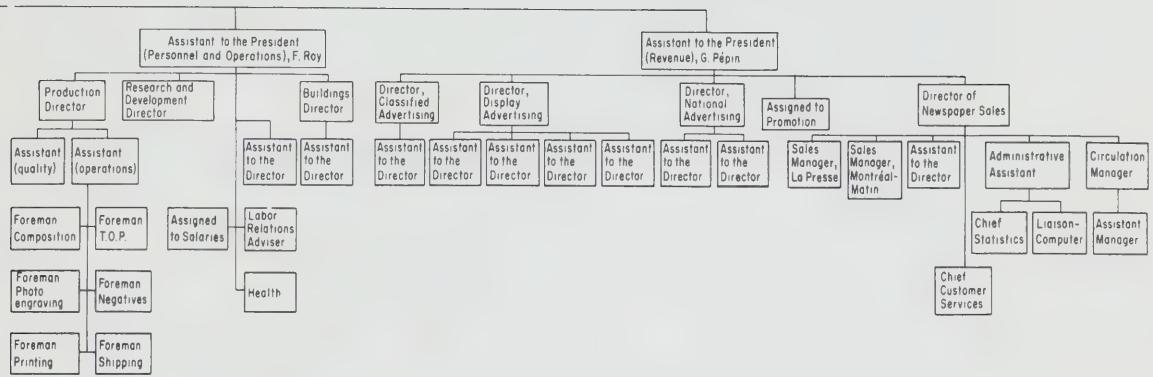
The structure of La Presse is presently that of a monohierarchical functional authority, characterized by the absence of staff services. (Organization Chart 2.1).

The main functional divisions are as follows: News Department, Finance and Treasury, Control, Data Processing, Personnel and Operations and Revenue. The absence of staff services and the delegation of real responsibilities to the Assistants resulted in decentralizing decision-making with regard to central coordination and integration through the Management Committee. This structure was instituted in 1972 by Roger Lemelin, replacing the former structure implemented in 1969.

Organization Chart 2 | MANAGEMENT OF LA PRESSE LTÉE.



Source La Presse



The structure established in 1969 was characterized by the fact that the Consulting Service, Communications and Editorial, reported directly to the President, while an Executive Vice-president was responsible for the following functional services - Finance, Marketing, Production, Information, Personnel and Labor Relations.

Information Department

The Information Department has seen its relative importance and power boosted since the arrival of Roger Lemelin. The position of Assistant Editor was created in order to coordinate the activities of this Department, which is divided into three branches: Editorial, News, and Secretariat (see Organization Chart 2.2).

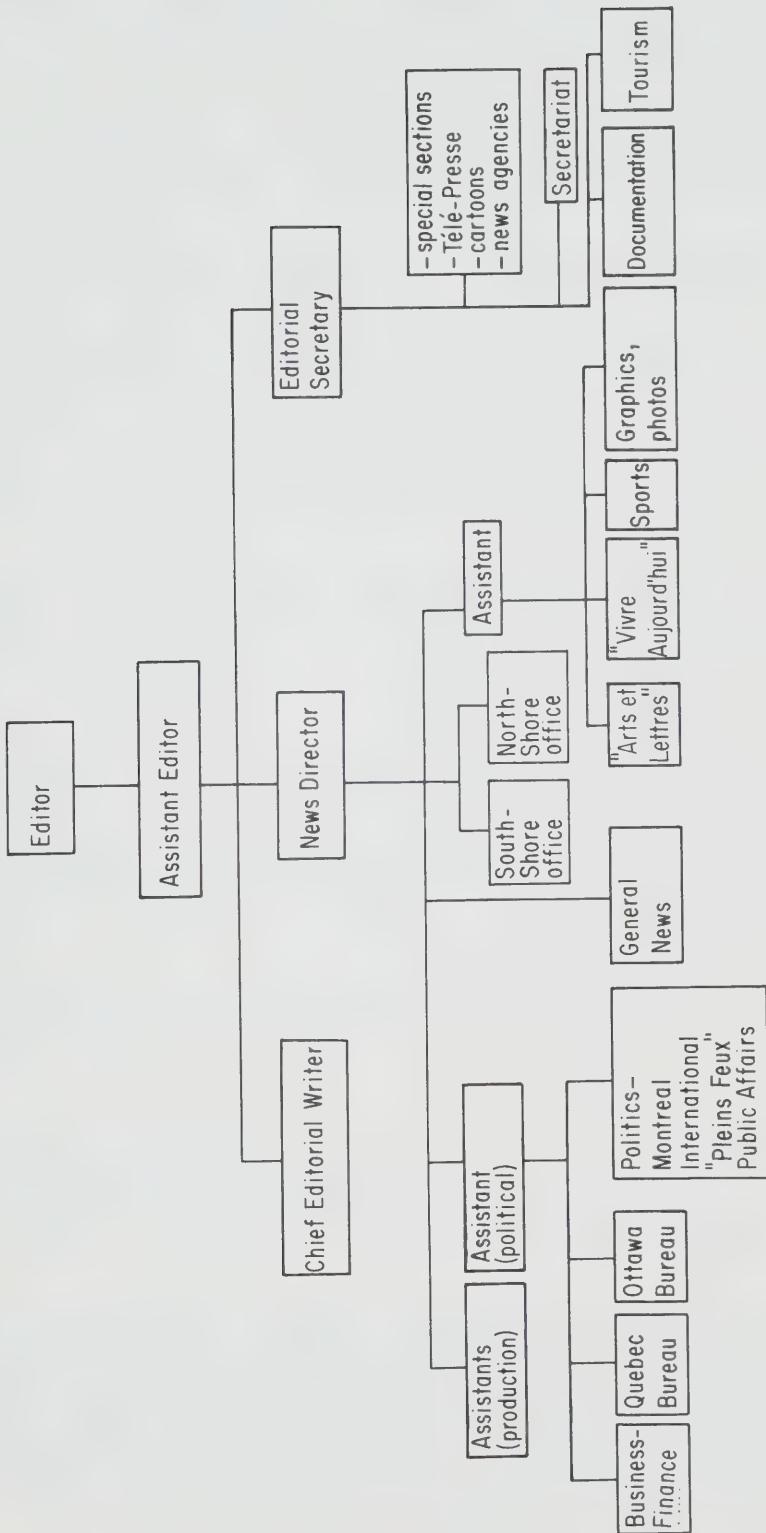
The Editorial Branch is composed of the chief editorial writer, Marcel Adam, an Assistant, an emeritus editorial writer, Vincent Prince, and four unionized editorial writers. These latter must adhere to the ideological orientation of the newspaper, and constitute a rather homogeneous group who have extensive journalistic experience. Within the editorial, each writer specializes in a particular sector, although the planning of the work is done collectively. The main sectors are social affairs, management, labor, economics, international affairs and politics. In 1975, the budget of the Editorial Department amounted to about \$190,000, a substantial sum of which covered traveling expenses, research, and payment for various outside contributors. Roger Lemelin's reform resulted in placing the Editorial Section under the responsibility of the Assistant Editor.

The News Branch includes most of the journalists, the division chiefs, the city desk and the wire editor. The News Director has assistants and the journalists are distributed in nine divisions directed by unionized divisional chiefs. One Assistant to the News Director coordinates the Economy and Finance, and Political divisions as well as the Quebec and Ottawa Bureaux, while a second assistant supervises the Arts and Letters, "Vivre aujourd'hui" (Living Today), Sports and Graphic Arts divisions. The general news pool is under the immediate responsibility of the News Director. The unionized division and section chiefs are part of the management structure and participate in the planning and selection processes. The daily interaction between management and unionized news management reduces the differences in awareness and attitude, and facilitate cooperation.

The Secretariat is responsible for three sectors of activity:

1. Documentation that is used by the editorial writers, journalists and the public;
2. The weekly preparation of special sections distributed free to the readers of La Presse situated on the south and north shores of Montreal;

Organization Chart 2.2
EDITORIAL STAFF



3. The preparation of special insertions, "publi-reportages," the television guide Télé-Presse and the comics section.

In addition, the Secretariat is responsible for relations with newswire agencies and for internal communication -- in other words, with advertising, production and distribution.

The Management Style at La Presse

For a number of reasons, La Presse seems to have truly become a modern business.

1. The management of La Presse seems to be well posted as to the economic dynamics of the newspaper industry.
2. Its management is constantly on the lookout for new techniques to reduce printing and production costs. Accordingly, the newspaper's management is currently examining the very latest in printing techniques: printing by magnetic flux, developed by data processing companies and capable of printing of 20,000 lines per minute.
3. La Presse has developed, in cooperation with IBM Canada, an integrated system under which classified advertisements, the moment they are received by telephone, are immediately written and automatically billed. It is a "first" for Canada.
4. An annual budget is prepared on the basis of systematic methods. The first step consists of determining the primary objectives with regard to revenue; they are determined by Management Committee. Following the preparation of projected advertising and newspaper sales revenues, the Comptroller sets standards for expenditures to be allocated to the various services and departments.

A modern enterprise, La Presse is managed in a style professing to be anti-bureaucratic. This style of management is characterized by the following:

1. Centralized coordination and collective decision-making. In fact, the major decisions are evaluated by the Management Committee. Each Assistant is responsible for his section, but major decisions affecting several sections are always taken by the Management Committee.
2. A managerial style that is based on receptivity to intuition and alertness to risks and opportunities as well as on systematic projections and analyses. Decision-making is based on systems and procedures designed to manage the technical and administrative activities of the newspaper rationally and progressively. This style of management is undoubtedly related to the personality of the President and Editor of the newspaper.

3. Tacit agreement or "psychological contract," between the President-Editor and his Assistants, characterized by a high degree of interaction at all levels. The insistence of Roger Lemelin on maintaining direct communications with the employees may, however, on occasion, create a general climate of uncertainty among middle management.
4. A style of leadership stressing change and flexibility and focusing on the types of corporate decisions that the senior level of management of a newspaper must take. The President-Editor of La Presse has, on the one hand, a preference for systematic organization and, on the other, the necessary initiative to introduce changes and to inspire adherence to his policies. Nevertheless, this style of management puts less accent on the methodical implementation of policies than on communication and interpersonal relations.

2.3 A BRIEF FINANCIAL HISTORY OF LA PRESSE

The third historical perspective of La Presse will deal firstly with relations with Power Corporation and Gesca, and secondly to financial results since 1965. We wish to see what acquisition by Gesca Limitée has meant in terms of:

- (a) increased relations with the companies of the Power Group and;
- (b) changes in the financial situation at La Presse.

2.3.1 Structure of the Official Relations Between La Presse and Power Corporation

In this section we propose to examine the structure of the official relations existing between La Presse and Power Corporation (Table 2.1); first the relations of financial and administrative control and second, business relations between La Presse, on the one hand, and the subsidiaries of Power Corporation on the other.

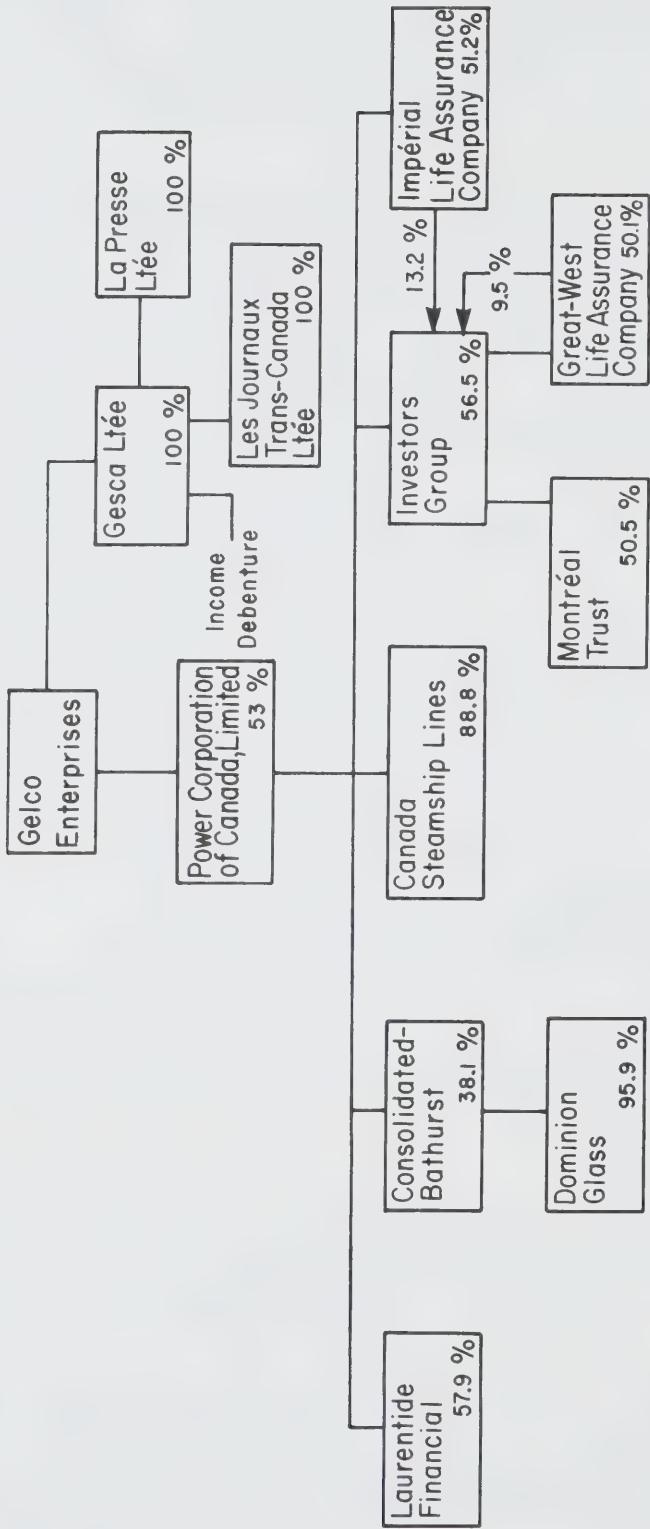
Control Relationships

The ownership of La Presse belongs to Paul Desmarais and the heirs of Jean Parisien, who own the shares of Gelco, which in turn owns all the shares of Gesca Limitée. La Presse is wholly owned by Gesca Limitée.

Because of an income debenture held by Power Corporation, there are legal relationships between La Presse and Power. Specifically, the investment of Power Corporation in the press industry includes an income debenture from Gesca Limitée worth \$19,750,000. Profits and increases in value of the Gesca holdings belong to Power Corporation as stipulated in the trust agreement.

Table 2.1

POWER CORPORATION OF CANADA, LIMITED
 (Graph showing voting shares on October 1, 1975)



Others with voting rights are: SMA, 55.2%; Argus, 14.8%; société d'énergie Wabanex Ltée. 60%; Liverpool Plains Pastoral Company Pty. Ltd., 91.6%.

Gesca was created in 1968 to distinguish and personify the ownership of La Presse, by making possible the creation of a corporate body in which Power Corporation Canada Limited would invest the sum of \$19,750,000 in the form of an income debenture. Power Corporation thus obtained the rights granted to a creditor holding a debenture, and not those of a shareholder. These rights over Gesca Limitée are specified in the trust agreement. The revenues eventually to be received by the debenture holder are contingent upon the revenues Gesca receives. Moreover, these revenues are in turn contingent upon the dividends that La Presse will pay to its shareholder, that is, Gesca. In turn, these dividends are subject to the decision of the board of directors of La Presse.

The trust agreement between Gesca and Montreal Trust requires Gesca to pay to Power all net profits of Gesca after November 30, 1970. It also states that "the sums to be received as revenue by the holder... should be limited to the amount of the dividends declared by the Board of Directors of La Presse Limitée." In the event that the directors of La Presse decided over the years not to pay dividends, Gesca would receive no revenue and would pay no interest to Power. In fact, at the time of this study, no dividends had been paid by La Presse since March 1970.

There is nothing to prevent this situation from continuing until the debenture comes due, which is in the year 2020. If such were the case, Power would have invested a considerable sum in Gesca without interest for 50 years. However, following our investigation, Gesca Limitée proposed to amend its trust agreement with Montreal Trust in such a way as to indicate clearly that Power Corporation has the right, upon expiry of the income debenture, to an amount representing the nominal value of the debenture plus all accumulated profits of La Presse Limitée that would not have been paid in dividends to Gesca Limitée. In the absence of dividend payments from La Presse, and according to the terms of the income debenture currently outstanding, Gesca would have no difficulty reimbursing Power Corporation when the debenture comes due. It does not seem, however, that such was the spirit of the initial transaction. In fact, Mr. Desmarais described the debenture to the Board of Power Corporation as an equity share in La Presse.

In short, Power Corporation was not supposed to hold shares in La Presse, in order to avoid criticism to the effect that as a holding company, it could potentially control the editorial policy and information presented in the newspaper. On the other hand, the directors of La Presse preferred to reinvest the profits rather than to pay dividends. The trust agreement does not stipulate when the directors of La Presse would be required to pay dividends.

The control relationships between Power Corporation and La Presse are limited to the following instances. First, the management of La Presse prepares its operational and investment budgets; there is no intervention from Power Corporation at this level. When the budget is accepted by the Management Committee and becomes a working tool, a copy is sent to Frank Knowles, Vice-President (Finance) of Power Corporation for his information. Every four weeks, Jean-Marie Bérubé, Secretary-Treasurer of

La Presse, transmits a copy of the financial balance sheets to Frank Knowles. These non-audited financial statements are necessary for the publication of Power Corporation's financial statements. That is the sole regular contact between Power Corporation and La Presse Limitée. This procedure was formally established by Roger Lemelin.

No other person within La Presse, without the express authorization of Roger Lemelin may have business relationships with the officers of Power Corporation. In practice, by the common consent of the arrangement of the two organizations, there is no other official or even informal contact between the two companies.

Relations with Gesca Limitée are, however, fairly frequent. In fact, Roger Lemelin discusses financial statements with Paul Desmarais, who is both Chairman of the Board of Directors of La Presse Limitée and President of Gesca Limitée. La Presse Limitée enjoys a large measure of autonomy with regard to Gesca Limitée in connection with investments and important administrative decisions. In fact, the senior management of Gesca Limitée very rarely discusses plant equipment investment projects to be undertaken by La Presse Limitée. Such is not the case with regard to the calculation of investments for newspapers which make up Les Journaux Trans-Canada Limitée. In effect, Gesca Limitée endeavors to coordinate the feasibility studies and the investments to be made in the newspapers owned by Les Journaux Trans-Canada. Those newspapers do not always have access to the financial analysis resources necessary for feasibility studies or for purchasing negotiations.

Business Relations with Gesca Limitée

Gesca Limitée has created two organisms in the hopes of effecting economies of scale in national advertising sales and in subscription sales in the Montreal region. Those two are Probec and Abonneq.

1. Probec, whose president is Guy Pépin, Assistant (Revenue) at La Presse Limitée, is responsible for all the national advertising sales contracts of La Presse Limitée and Les Journaux Trans-Canada. Employees of Probec are actually employees of La Presse whose field of operations has always been national advertising sales. La Presse Limitée pays no fees to Probec but actually receives compensation for the costs it has to carry on behalf of Probec. Other newspapers pay a commission of 6.9 per cent to Probec.
2. Abonneq, a subsidiary of Gesca, has nearly 40 employees in Montreal. Its president is Guy Pépin, Assistant (Revenue) at La Presse. The function of Abonneq is to solicit subscriptions in the region of Montreal for La Presse and Montréal-Matin. Abonneq can sell subscriptions for other newspapers. Prior to the creation of Abonneq by Gesca, sales and promotion of subscriptions were made by an outside company. La Presse pays

Abonneq the same amount per subscription that it paid in the past. Currently, Abonneq subscription sales services have not been used by other newspapers of Les Journaux Trans-Canada Limitée group.

The newspaper Montréal-Matin Inc., owned by Les Journaux Trans-Canada Limitée, was bought by Gesca to assure Gesca a presence among Montréal morning publications. In 1976, it was decided to integrate the activities of Montréal-Matin and those of La Presse except for editorial and newsroom. Montréal-Matin Inc. retains its own legal identity. Montréal-Matin's newsroom is located on premises adjacent to those of La Presse. The two newspapers previously had several activities in common, namely advertising sales and subscription sales through Probec and Abonneq, as well as sales by La Presse's classified ads.

Official contacts between Montréal-Matin and La Presse must normally follow the structure of ownership; that is, that they exist through Gesca Limitée. The independence of the editorial team of Montréal-Matin vis-à-vis the management of La Presse is supposedly assured by maintaining a distinct legal entity for Montréal-Matin.

If Montréal-Matin exists in a legal sense, the fact still remains that the predominance of La Presse and its importance in the Gesca group could perhaps bring about a reduction in the autonomy of Montréal-Matin. Indeed, the events that led up to the departure of Luc Beauregard, Chairman of Montréal-Matin, have shed new light on the power relations that exist and that could still exist, between these two newspapers. This raises an interesting question. In the event that a disagreement should arise over the editorial policy adopted by the management of Montréal-Matin, would the management of La Presse resist using its unofficial power to directly or indirectly impose its point of view on the Editorial Department of Montréal-Matin?

Business Relations with Other Firms Belonging to Power Corporation

La Presse Limitée clearly has relations with many organizations. We have tried to make an inventory of the administrative contacts existing between La Presse Limitée and the enterprises belonging to Power Corporation, and to identify the nature of those relations. Following is a list of the relationships we have been able to identify:

1. Since May 1, 1973, Montreal Trust has become trust agent for the retirement fund for management employees of La Presse. Prior to that, the trustee was the Trust Général du Canada. However, the Société de Fiducie du Québec remains trustee of the retirement fund for unionized employees, journalists and others; this fund is by far the larger of the two.
2. In October 1975, La Presse Limitée bought a note of \$5,000,000 at an interest rate of 11% from Laurentide Finance for a period of one year.

3. La Presse's newsprint purchases come from two sources: 50% from Consolidated Bathurst and 50% from Abitibi-Price Paper. Two purchase agreements exist between La Presse, on the one hand, and Consolidated Bathurst and Abitibi-Price on the other. These purchase relations have existed for several years and the purchasing of newsprint by La Presse has not been affected by the acquisition of control of La Presse Limitée by Gesca Limitée. Thus, before 1967, La Presse bought its newsprint from Consolidated Bathurst and Anglo Paper. Anglo Paper has since been purchased by Abitibi-Price.

The agreements linking La Presse to its own suppliers stipulate that the purchases will be transacted at market price. There are, on occasion, differences between prices posted by the suppliers. La Presse makes a point of profiting from any differences that exist and, on several occasions, has refused to pay Consolidated Bathurst a price which, in its opinion, exceeded what is considered to be the market price.

4. No relationship exists with Great-West Life Insurance. La Presse deals instead with L'Assurance-Vie Desjardins. Management and employees of La Presse Limitée benefit from no special rates from insurance companies such as Imperial Life Assurance and Great West Life.

To sum up, official contacts between La Presse and Power Corporation are rather limited. Contacts with Gesca Limitée are more frequent, especially through Probec and Abonneq.

It seems to us that the level of administrative autonomy of La Presse within the Gesca group is high. This is due in large part to a close relationship between Messrs. Paul Desmarais and Roger Lemelin. No other members of the senior management of La Presse Limitée are members of the Board of Directors of Gesca Limitée, Les Journaux Trans-Canada Limitée, Power Corporation and its many wholly or partially owned subsidiaries. Neither Roger Lemelin nor any of his assistants sit on the Board of Directors of Gesca or Power Corporation. Paul Desmarais is simultaneously Chairman of the Board of Directors of La Presse, President of Gesca Limitée, and Chairman of the Board of Directors of Power Corporation of Canada Limited.

2.3.2 Cursory Financial Analysis

We must note at the outset the difficulties inherent in any financial analysis of an historical nature. In addition to problems stemming from inflation and their consequences in the course of comparative analysis, we must consider changes in accounting methods, in computerized management system, and in methods of budgetary preparation and control. There are ample grounds for caution when the analyst compares data between one period and another.

In order to make our comparative analysis, we studied the financial statements of La Presse for the fiscal years 1965, 1970, 1974 and 1975. However interesting it might have been to analyze La Presse's budgets for every year of its existence, we have chosen to select typical years for several reasons. First, financial data for the years previous to 1968 are very limited. Also, we wanted to study wide variations by selecting "highlight" years. For example, 1965 gives us an idea of what La Presse was before it was incorporated into the Desmarais group. The statement for 1970 is a good reflection of the new ownership structure. The years 1974 and 1975 reflect a period of organizational stability, since La Presse had by then overcome the financial difficulties that had arisen as a result of the 1971-72 lockout. Furthermore, by then Mr. Lemelin's reorganization had begun to show results. We do not believe it is necessary to include absolute figures here, even though we had access to all the original financial data. Therefore, we shall review in turn the following components.

1. Balance sheets
2. Cash flow
3. Profits and Loss Statements
4. Investments
5. Dividends
6. Economic surplus allocations

Table 2.2 shows the comparative balance sheets for four separate years. An initial analysis reveals uninterrupted improvement in the financial situation. The latter years especially show much more financial stability than the years preceding purchase. Current assets have grown from 36.5% to 57.9% of total assets. Total assets have increased by 72% in absolute value since 1965. Fixed assets, net of depreciation, represent 35.8% of assets in 1965, while the 1965 proportion was 49.8%. This relative decrease is not attributable to the obsolete character of fixed assets but rather to the more rapid growth of other assets. Between 1965 and 1975, La Presse invested some two million dollars a year in capital assets, while amortization costs were in the order of about one million dollars a year.

The ratio between current assets and current liabilities has grown from 1.86 in 1965 to 2.5 in 1975. Consequently, assets were not increased, through short-term financing: the funds came from long-term equity. An analysis of long-term liabilities shows that their proportion to total assets kept on decreasing. Taken from another angle, it seems that stocks and retained earnings become increasingly important. The shareholders' share in liabilities is as follows, depending on the year referred to: 41.7%, 49.6%, 62.1% and 65.9%. This increase is not the result of investments by the shareholders in the form of shares. On the contrary, there was a decrease of capital stocks when the preferred shares held by Mr. Desmarais were bought back; capital stocks were reduced from \$1,250,000 to about \$750,000.

Table 2.2
La Presse's Balance Sheets

	1965	1970	1974	1975
<u>Itemized Assets in % of Total</u>				
Current Assets*	36,5	40,4	54,2	57,9
Investments, subsidiary	3	3,3	0,1	-
Fixed Assets Net of Depreciation	49,8	47,1	38,5	35,8
Goodwill	<u>10,6</u>	<u>9,1</u>	<u>7,1</u>	<u>6,2</u>
Total Assets	100	100	100	100
<u>Itemized Liabilities and Capital (in % of total assets)</u>				
Current Liabilities	19,6	29,7	29,1	25,2
Long and Short-term Liabilities	<u>38,7</u>	<u>20,7</u>	<u>8,8</u>	<u>8,9</u>
Total Liabilities	58,3	50,4	37,9	34,1
Capital Stock	7,5	4	3	2,3
Earned Surplus	<u>34,2</u>	<u>45,6</u>	<u>59,1</u>	<u>63,3</u>
Total Net Value	41,7	49,6	62,1	65,9

Source: La Presse

* - Short-term liquid assets include the following: cash, deposit certificates, bonds, accounts receivable, inventory and advances.

Financing was effected solely from the reinvestment of profits earned during the period when Gesca Limitée received no dividends. In fact, the last dividends paid to the shareholders of La Presse were approved during meeting of the Board of Directors on December 23, 1969. These \$150,000 dividends were to be paid to Gesca before March 31, 1970.

The earned surplus amounts to 63.3% of assets, while it was only 34.2% in 1965. It is almost 30 times higher than capital stock, seven times higher than long-term debts and two and a half times larger than short-term debts. For each dollar lent to La Presse by creditors, shareholders hold a two-dollar investment, while in 1965, for each dollar lent to La Presse, the shareholders held an investment of only 70 cents.

Two reasons explain that situation:

1. the newspaper's profitability
2. the constant reinvestment of profits

The newspaper's profitability can be attributed to reorganization and management's efforts, while the reinvestment can be attributed to the type of ownership of the newspaper. Messrs. Lemelin and Desmarais spoke to us of the need for a large newspaper with considerable resources on hand so that it will not be overtaken by new developments. One of a number of possible explanations for the fact that La Presse did not wish to pay dividends to Gesca might be management's determination to consolidate finances and thus be able to embark later on a planned investment program.

Working Capital

Working capital has increased noticeably since dividends were last paid. In relative terms, the ratio between current assets and current liabilities grew from 1.8 in 1966 to 2.5 in 1975 (see Table 2.3). In absolute figures, working capital more than trebled, from \$3,000,000 to \$10,000,000. During that same period, total assets grew from \$17,800,000 to \$28,700,000. Briefly that explains how, in 1975, the net working capital relative to total assets doubled in percentage, growing from 17.4% in 1966 to 34.8% in 1975.

Profit and Loss Statement

Analyzing the financial results of La Presse calls for a large degree of caution: a simple comparison of accounting reports can easily lead to faulty judgments. La Presse's absolute revenues are constantly growing (see Table 2.4). Between 1965 and 1974, revenues doubled, while, in 1975 alone, they grew by 20%. The 1975 revenues show a 238% increase compared with 1966. In fact, revenues were only \$20,381,000 in 1965 but \$48,611,000 in 1975.

Table 2.3

ANALYSIS OF LA PRESSE'S LIQUID ASSETS

Year	(A) Coefficient of Working Capital	(B) Net Working Capital	(C) Total Assets	(D) B C (in %)
1966	1.8	3.1	17.8	17.4
1970	1.7	3.1	19	16.3
1975	2.5	10	28.7	34.8

Source: La Presse

Table 2.4

STATEMENT OF RESULTS

	1965 100 %	1966 100 %	1969 100 %	1970 100 %	1974 100 %	1975 100 %
Income						
Operational Costs or Total Expenditures and Amortization	85,6		89,7	89,5	88,7	89,4
Interest	-	-	1,2	1,2	1,4	1,4
Profits before taxes	14,4	9,5	11,6	11,7	12,7	12
Taxes	0,1		5,6	5,6	5,4	4,8
Profits after Taxes	14,3		6	6,1	7,3	7,2

Source: La Presse

Profitability also improved, both in percentage points and in absolute value, since 1966 (see Table 2.5). Based on the ratio between income after taxes and sales, profitability was reduced by 41% between 1965 and 1975, decreasing from 14.3% to 7.2%. But 1965 is a typical year because account has to be taken of an income tax rebate due to previous deficits. Profits before taxes have remained relatively stable, going from 14.4% in 1965 to 12% in 1975, with a downturn of 9.5% in 1966. As shown in Table 2.5, profits on net value range between 18.8% in 1966 to 18.5% in 1975.

Investments

Reinvested profits have contributed to the growth of current assets, but they have also helped finance important investments in real estate assets, machinery, etc. Table 2.6 shows clearly the high level of investment by La Presse. In fact, during 1966, 1970 and 1975, net investments were on the average twice as large as depreciation charges.

Dividends

Our intent here is not to dwell on Gesca's long-term debt to Power Corporation. It is rather a question of assessing the constraints on La Presse's dividend policy by a trust deed between La Presse Ltée and The Royal Trust of Canada, following an \$8-million-dollar loan made in 1958 and which falls due in February 1980. Under the terms of the trust deed regarding first mortgage debentures, no dividends can be granted to shareholders of La Presse if the effect of such a move is to lower working capital below the \$1.5 million mark, or the sum of invested capital plus profits that are not carried forward to less than \$6,750,000. Furthermore, dividends over a 12-month period must not exceed 70% of the year's net profits. It is relevant to compare the constraints contained in the trust deed to the financial capabilities of La Presse.

We note first that La Presse's net working capital, even if a cushion of \$1,500,000 is provided, is more than sufficient to repay the contractual debt four times over. For all practical purposes, the constraint does not exist insofar as the eventual payment of dividends to shareholders is concerned. As for the obligation to maintain at \$6,750,000 the amount of invested capital and profits that were not carried forward, we see that, at the end of 1975, it was three times the amount that had been foreseen. Under the terms of a final constraint, La Presse's dividends could not exceed 70% of annual net profits. Let us note nonetheless, that under existing conditions of profitability, even that constraint leaves open the possibility of paying dividends of \$2 million a year.

Allocation of Economic Surpluses

Since 1972 La Presse Limitée has been a most profitable undertaking, as shown in the financial analysis in the last section of this chapter. Such profitability indicates the existence of economic surpluses arising very probably from La Presse's market power. Those economic surpluses

Table 2.5
ANALYSIS OF LA PRESSE'S PROFITABILITY

Year	Profits on Sales Before Taxes	Profits on Assets Before Taxes*	Profits on Net Value After Taxes
1966	9.5	11%	18.8%
1970	11.7% (\$3.2)	16.7%	17.4% (\$1.6)
1975	12% (\$5.8)	20.3%	18.5% (\$3.5)

Source: La Presse

*Includes goodwill estimated at \$1.7 million.

Table 2.6

ANALYSIS OF LA PRESSE'S INVESTMENTS

Year	A Investments (In millions of dollars)	B Amortization (In millions of dollars)	<u>A-B</u>	<u>A-B</u>
1966	1,166	654	512	1.8
1970	1,789	793	996	2.3
1975	1,539	916	623	1.7

Source: La Presse

can be applied to internal or external ends, depending on the strategic choices or ideals of social responsibility of top management. Three investments come to mind as examples of how discretionary surpluses are allocated and what decision criteria are used.

A. Les Editions La Presse

Les Editions La Presse were founded in 1971 with the stated goal of publishing books of high cultural content in Quebec. They were under the direction of Alain Stanké, who resigned in 1974. In his search for someone inspired by high cultural interests, Mr. Lemelin then assigned this important responsibility to Hubert Aquin, whose title was Literary Director, with emphasis on both his and Mr. Lemelin's responsibility toward Quebec's culture. As the years passed, conflicts arose between their respective concepts of that responsibility; the disagreement was settled when Mr. Aquin was relieved of his duties in August 1976.

The investment of economic resources in Les Editions La Presse was made mainly for other than economic reasons. Economic surpluses allow the management of La Presse to allocate part of its financial resources to a project that might become viable in the long run but which, at the outset, was undertaken out of a sense of social responsibility.

Le Centre éducatif et culturel Inc. (CEC)

In April 1976, the directors of the Société générale de financement du Québec informed Hachette Internationale of its decision to relinquish its holdings in the Centre éducatif et culturel. At that time the two groups each held 50% of all the Centre éducatif et culturel's shares. Under the terms of an agreement between the two shareholders, one party would have the right to choose new partners in the event that the other party decided to relinquish its shares. The Société générale de financement intended to sell its shares for \$1,472,000 and the transaction was to take effect on October 12, 1976.

The directors of La Presse and Gesca told us that, early in July, Mr. Worms of Hachette Internationale in Paris had informed them that the Société générale de financement intended to relinquish its shares to a group consisting of Messrs. Francoeur and Stanké and Harcourt-Brace of New York.

Since Le Centre éducatif et culturel was a viable undertaking, the investment seemed attractive. La Presse could become Hachette Internationale's associate in the American market and, at the time, it held a 50% purchase option on Hachette Internationale. Following a summary analysis, the directors of Gesca Ltée and La Presse decided that the purchase of the Centre éducatif et culturel capital could turn out to be a good investment for La Presse and Gesca Ltée. It is an integral part of La Presse's policy to diversify in other printed and broadcast communications. Indeed, La Presse was already involved in publishing. Furthermore, working in association with Hachette Internationale was valid in itself. La Presse would become associated with Hachette in any new

venture on the American market, and thus could enlarge its point-of-sale network for both its books and its newspaper, as it could take advantage of Hachette International's existing distribution network.

Here was an opportunity for Gesca, by way of La Presse, to follow a series of informal discussions it had held for several years with European groups with a significant purchase. Mr. Lemelin then held that such an investment coincided perfectly with La Presse's diversification policy and should therefore be approved. Thus the decision was taken by Gesca to proceed with the purchase through the intermediary of La Presse.

Mr. Lemelin has no intention of integrating the Centre éducatif et culturel with the Editions La Presse. In fact, on the one hand, he says he knows neither the market nor the specific technology of schoolbook publishing and, on the other hand, he points out that the Centre éducatif et culturel already has its own management. The relationships between the Centre éducatif et culturel and La Presse will be effected through the services of its representatives on the Board of Directors of the Centre, who report regularly to Mr. Lemelin.

The investment by Gesca and La Presse in the Centre éducatif et culturel was based in the main on strategic considerations, although Mr. Lemelin's system of values and interest played an important role in the transaction.

C. The Purchase and Integration of Montréal-Matin

Montréal-Matin was purchased by Gesca Ltée in 1973, with the aim of securing a foothold in the morning newspaper field. Later, the decision was made to integrate Montréal-Matin's activities with those of La Presse, except for editorial activities. While La Presse's financial surpluses were not directly used to purchase Montréal-Matin, La Presse's production and distribution resources resulted in new economies of scale.

The purchase of Montréal-Matin is first and foremost a defensive strategic move by Gesca Ltée, following the founding and development of Le Journal de Montréal. That newspaper, the circulation of which during weekdays is almost as large as that of La Presse, was founded during the lockout at La Presse in 1971-72 by the Québecor group. In 1973, this diversified group, whose main activities are in the printed medium, already had a system of printing and distribution. Strategic resources available to the Québecor group not only lower barriers to entry but also allow Le Journal de Montréal to expand and perhaps, even, in the medium term, to launch a new French-language evening newspaper.

In fact, Québecor and La Presse are in open and strong market share competition in the French-language newspaper market in Montreal. The entry of the Québecor group through Le Journal de Montréal very probably provoked a defensive reaction by Gesca Ltée--that is, the purchase of

Montréal-Matin. Later on, for purposes of affecting economies of scale, Montréal-Matin, with the exception of its Editorial Department, was integrated with La Presse.

In spite of the integrated process, Montréal-Matin has retained its own jurisdictional entity, and remains the property of Les Journaux Trans-Canada. The question arises nonetheless as to whether the independence of Montréal-Matin's editorial team from the management of La Presse will last. Although Montréal-Matin has retained its jurisdictional identity, the fact remains that the predominance of La Presse and its importance in the Gesca Ltée group can result in its encroaching on Montréal-Matin's autonomy. The question arises as to whether the directors of La Presse, in the case of a disagreement over the editorial policy of Montréal-Matin, might use their power to impose their views, directly or indirectly, on the editors and journalists of Montréal-Matin. Mr. Lemelin states that it is out of the question. The journalists' unions keep a tight watch and would react strongly to any interference attempt.

CHAPTER III
INFLUENCE OF THE OWNERS
AND OF THE MANAGEMENT OF THE NEWS DEPARTMENT

This chapter proposes to define a newspaper enterprise as a social organization and a news processing system. Along these organizational lines, we will identify the possible instances of influence and intervention on the part of La Presse's owners and management. To do this, we must follow the path traced by the news through the different selection mechanisms to demonstrate how the many parties working within a daily newspaper -- journalists, news management and the Assistant Editor -- make unavoidable selections in order to offer a daily summary of events extracted from a mass of facts, news items and analyses. For example, La Presse receives some 365,000 words a day from various news services, while the articles written by the staff in a single edition of La Presse contain about 100,000 words. On an average, the total texts published run to some 150,000 words.

Keeping in mind the need to select news, we shall attempt to analyze the different "scenarios" of direct or indirect intervention that management or the owners might employ to alter news content. First, we will study a scenario of direct influence, or a specific, localized intervention in the selection mechanisms. Then, we will attempt to see to what extent management and the owners resorted to more subtle intervention plans, or mechanisms of organizational control, for the purpose of altering news content. Finally, we will analyse the role of the labor union as a countervailing power.

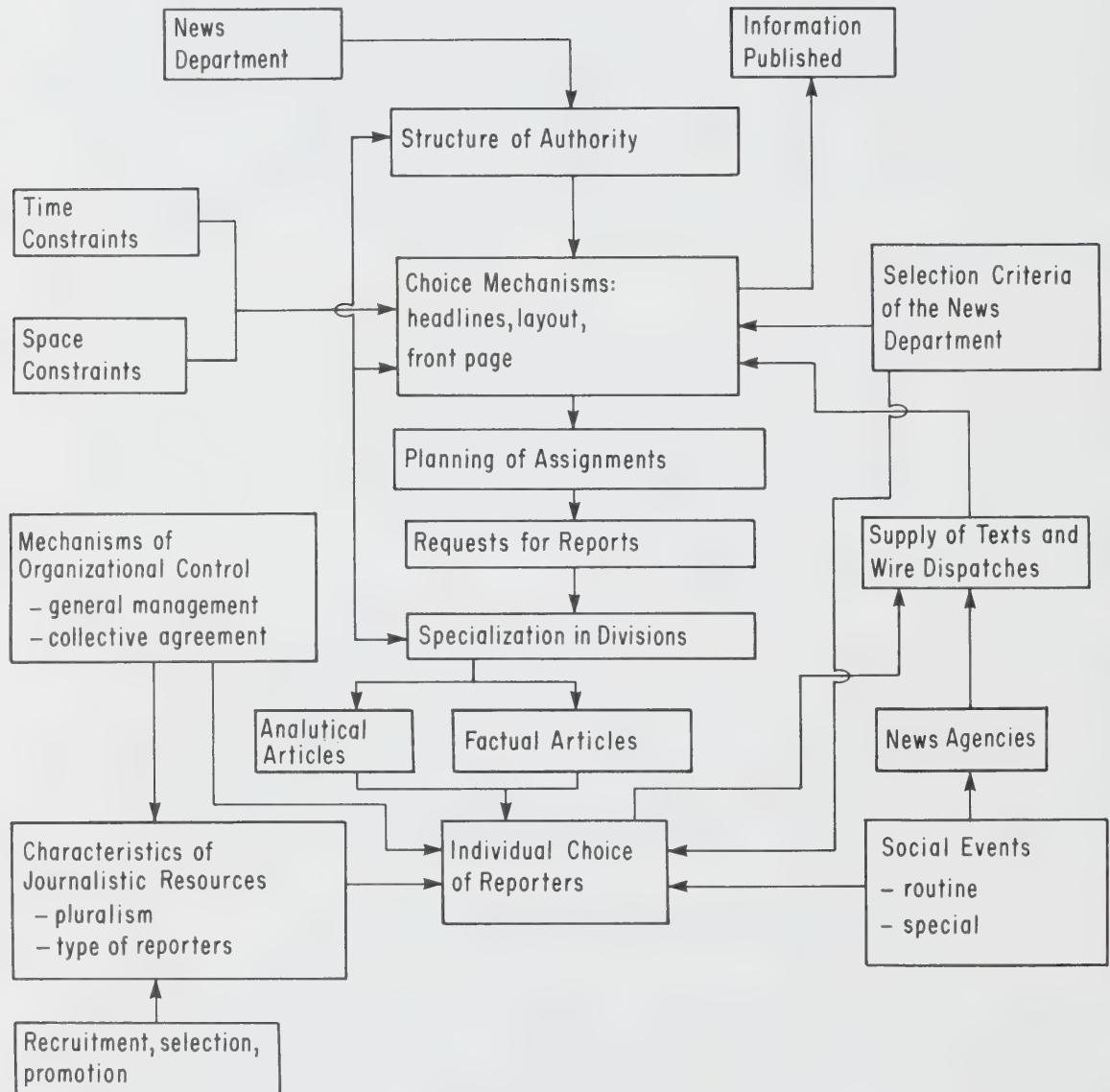
The object of our research is first of all to study the possibilities of direct and indirect intervention on the part of management and the owners. Since our mandate did not include an analysis of the contents, we could not deal with errors of omission -- in other words, the intentional or unintentional failure to print certain news reports. Errors of omission, as indicated in the preceding chapter, may result from decisions and discussions between the various members of a newspaper organization: management, owners, journalists and labor unions.

3.1 INFORMATION SELECTION PROCESS

Our purpose in this section is to describe the planning, production and mechanisms of news selection as applied to the news published daily in La Presse. The news is continually subjected to selection by employees working within a structure of authority. As Table 3.1 illustrates, these selections are carried out through planning and selection mechanisms and within a framework of time and space constraints. Publishing a daily newspaper and disseminating news to specific points often necessitate the creation of a bureaucratic structure complete with job descriptions, cognitive differentiation, distribution of tasks and the establishment of rules and procedures.

Table 3.1

SELECTION OF NEWS (News Content In The Newspaper)



Moreover, at the core of this bureaucratic structure, we find a structure of authority and official communication and decision-making mechanisms whose purposes are to allow the orderly handling of information and to coordinate the activities of the parties concerned. Choices are made within the framework of economic imperatives that become increasingly important as the newspaper's operation is rationalized with regard to administrative techniques.

We will review three types of factors likely to alter the selection and content of the published news:

1. the structure of authority;
2. the communications and decision-making systems;
3. economic constraints.

3.1.1 The Structure of Authority

The authority structure within the News Department is undoubtedly the main instrument of news selection. In fact, the hierarchical structure serves on the one hand to plan the assignment of journalists and the allocation of resources in order to prepare reports on foreseeable and unforeseeable events, and on the other hand, to appoint decision-makers whose responsibilities include news selection. The official powers vested in those positions grant their incumbents an important role in this selection process.

In other words, the authority structure creates a vertical and horizontal division of labor. In fact, the horizontal specialization entails assigning journalists to divisions and columns, while the vertical division indicates the administrative hierarchy. The specialization of work into divisions and sections clearly influences the reports that are produced. In section 3.3 of this chapter, we will examine in detail the allocation of journalistic resources to the various columns. For the moment, it is sufficient to describe the vertical dimension of the structure of authority as it appears in Organizational Chart 2.2. There are five hierarchical levels that separate the reporters from the Editor.

The Chief of the news directorate at La Presse is Jean Sisto, the Assistant Editor who has immediate authority over the Chief Editorial writer, the News Director, and the Editorial Secretary. The Editor, Mr. Lemelin, represents the highest hierarchical authority. He delegates powers to Mr. Sisto and rarely intervenes in the management of the editorial section, except when he wishes to publish an editorial on the front page. The News Department is composed of 208 employees divided into three sections: News Department, Editorial Department, and Secretariat. There are seven non-unionized employees in the News Department and the Secretariat. They fill the positions mentioned above, together with the assistants to the News Director. As for the Editorial Section, it has two non-unionized employees: the Chief Editorial Writer and his assistant. The union membership includes journalists as well as the section and division chiefs.

The news selection and layout at La Presse do not necessarily follow the vertical structure of authority. In fact, the real organisms of

selection (albeit under supervision) are work groups of managers from various hierarchical levels (often unionized). At La Presse, the planning and final selection of news are carried out at daily work meetings. We will examine three types of meetings as well as the process of approval of the articles and the layout.

3.1.2 Communication and Decision-Making System

The dynamics of daily activities of La Presse that could have an influence on the published news are based on a series of planning and decision-making mechanisms that overlap this structure of authority.

We will successively examine:

- a. the daily planning meeting;
- b. the editorial planning meeting;
- c. the front page layout meeting.

a. The Daily Planning Meeting

This daily morning work meeting is the most important for planning the coverage of the news and the assigning of articles. The purpose of this meeting, which is presided over by Mr. Sisto and attended by the News Director and his assistants, as well as the division chiefs located in Montreal (the bureau chiefs are first consulted by telephone by the Assistant News Director) is to draw up a list of anticipated events, make decisions concerning the assignment of articles over the short and long terms and subsequent assignment of journalists depending on available resources.

Decision-making in this planning meeting, according to Jean Sisto, rests on a consensus between the participants, including the unionized division chiefs. Sharp disagreements are usually resolved rapidly through compromise among the members. As Assistant Editor, Jean Sisto nevertheless possesses the right of veto if he remains in disagreement with his colleagues. The Editor, Roger Lemelin, rarely attends these meetings.

It must be remembered that news components arrive on a routine basis from outside the newspaper in the form of press releases from Parliament, cabinet ministers, labor unions and private or public organisms. Other components are unpredictable, however: they depend on the course of events. Following decisions as to the coverage of anticipated events, discussion turns to non-routine subjects which, although not of burning current interest, are worthy of being brought to the public's attention. According to Mr. Sisto, practically all assignments are discussed at these planning meetings in which all division chiefs participate. Here are two examples: a department's chief proposed to undertake a report in September, 1976, on labor relations at United Aircraft, and to assign Jules Bélieveau to the task; this proposal was accepted straight-away at a planning meeting. Also in September 1976, coverage of events in Rhodesia by Pierre Saint-Germain was proposed by Jean Sisto and immediately approved by the group. Assignment proposals thus originate with the News management as well as with senior journalists and unionized journalists, who inform their superiors of their proposed action.

b. The Editorial Planning Meeting

Editorial writers meet daily in sessions presided over by the Chief Editorial Writer; the Assistant Editor occasionally attends these meetings. The object is to prepare the editorial page, which features the main editorial, called "Premier Montréal," and secondary editorials. The theme of the main editorial is chosen on the basis of its relevance and is not necessarily written by the Chief Editorial Writer; on the contrary, it is often the work of a unionized editorial writer. During this daily meeting, the editorial writers decide on subjects to be dealt with in the following day's edition, in addition to topics for future analysis and in-depth reports. A large research budget is allocated to the Editorial Department to allow the assignment of thorough investigations. The editorial writers generally write three articles a week, which are published as the principal or secondary editorials. The average of three articles a week prevailing at La Presse, as determined by Mr. Sisto, is comparable to that of similar newspapers such as The Montreal Star, The Gazette, and Le Soleil.

c. The Front Page Layout Meeting

At the end of the day a second work meeting is held, chaired by the Assistant Editor and attended by the News Director, his assistants, the Division Chiefs, and the Assistant to the Director in charge of the actual production of the newspaper. They evaluate the assigned reports, the scheduled investigations and analyses and the news events of the day; a preliminary choice is then made from the articles and photographs which, depending on the news that evening, are to appear on the "main" pages of the newspaper. The Division Chief points out the articles that he feels are noteworthy and likely to make the headlines. The assistant to the News Director establishes the relative importance of articles as he receives them. It is possible in fact that a news report, first billed as important, will only deserve secondary place when it is received. Usually, the front page headlines are the exclusive responsibility of the Assistant News Director, his approval should theoretically be obtained for the other pages; he is assisted in this task by the city desk staff, who are union leaders.

Jean Sisto himself edits and writes the headlines of articles that may be controversial or could lead to legal actions. Section and division chiefs and their assistants suggest or decide on headlines for the "Pleins feux" section. Normally, all texts are first edited by the appropriate division chief, although it frequently happens that texts arriving in the evening are submitted directly to the city desk officers, who have the power to revise them and, if necessary, to include them in their layout.

In short, the general outline of the front page and main pages of the next day's newspaper are drawn up at this meeting. The implementation and modification of this outline are up to the Assistant News Director, who is on the job in the evening.

In every newspaper, competition for the front page and the prestigious "analytical" pages runs strong between the different divisions of the News

Department. The prestige and importance of the front page is considered a major indicator of a reporter's performance and of his reputation as a journalist.

Choice of Articles, Headlines and Layout

Articles written throughout the day by the journalists are reviewed, according to their importance, by the division chiefs or the news assistants. The decision whether or not to edit the texts is taken during discussions with these persons. If a news item requires revision, its author is consulted. If the journalist refuses the proposed revision, the text is then published without a byline as stipulated in the union contract. Basic revisions are very rare, while about 25% of texts are edited because of poor style or superficial or erroneous treatment of a subject. Almost all of the articles assigned or submitted about routine or anticipated events are published. Many news items on the international, national and provincial levels arise on the wire services' teletypes. Those texts are first given to a Wire Editor, who makes preliminary selection and distributes them to the appropriate division chiefs. The Wire Editor holds a position of unionized Section Chief.

3.1.3 Economic Constraints

Two types of restrictions influence news selection: time and available space. Such restrictions sometimes lead to non-publication of certain news items. Time is an important factor in the production of a newspaper. In order to make delivery within the framework of a precise schedule, news gathering, editing, layout and printing must also be carried out under tight schedules. The printers must receive the texts at a stipulated time in order to avoid bottlenecks and meet deadlines. The journalists and News Department on the other hand prefer to have more time before they submit a final copy. Accordingly, the selection of material for publication and the general operation of a newspaper are carried out in an atmosphere of prevailing tension.

The number of pages devoted to news is determined on the basis of a dynamic economic equation. As Table 1.1 indicates, the news gathering, production and distribution costs a newspaper might incur are relative to circulation and advertising revenues. The more revenue a newspaper receives from advertising and circulation, the easier it can allot funds to news gathering and publishing. Seventy per cent of the revenue is generated from advertising and 30% from circulation. On an average, space within the newspaper is distributed approximately as follows: advertising, 60% and news, 40%. Obviously, news and advertising compete for space in the newspaper. It is always possible for the News Department to claim additional space, regardless of the volume of advertising, keeping in mind however the capacity of the rotary printing presses, which print 144 pages at a time. The 144-page maximum is especially important on Wednesdays and sometimes on Saturdays. An effective way of reducing this limit on Wednesdays is to prepare separate prints a week in advance.

3.1.4 Conclusion

News published by a newspaper like La Presse is the product of a social organization that is subject to economic restrictions. Many people, from journalists to the editor, are involved daily in the selection mechanism that determines the news to be published. Though a small number of directors is ultimately responsible for the news content, it should not necessarily be concluded that they alone decide what to publish. Empirical research on press organizations shows that a group of persons including journalists, city desk editors, division chiefs and the Assistant Editor are involved in the organizational processes that determine the news content of a newspaper.

As a newspaper grows and its circulation increases, the number of journalists increases, although the selection of news remains the major responsibility of a few individuals holding positions of authority.

Despite the asymmetry of the formal powers and the bureaucratization of a newspaper organization, it should not be concluded that the news content is determined only by the Editor or Assistant-Editor, by virtue of his authority, the editorial policy and the selection mechanisms. In fact, as various empirical studies on organizations show, the powers of subordinate participants are significant even in non-union organizations (Schein, 1974; Crozier, 1967). A single decision-making centre (management), could hardly impose its will on the whole social organization of a newspaper.

3.2 DIRECT INTERVENTIONS

The owners and managers of La Presse may be tempted to intervene directly in news selection mechanisms. In this way, they could both alter the presentation of the news and the planning of the news reports (McDonald, 1974). We attempted to verify how frequently the management of La Presse and the owners might have resorted to such manipulation. Thus, we have attempted to isolate precise examples of direct intervention.

To do so, we met with a group of journalists from La Presse to identify the maximum of likely cases of direct intervention by management or owners of La Presse. In addition, we have resorted to examples of direct intervention referred to in newspaper articles and other public documents.

Five cases of direct intervention drew our attention:

- A. the reporting of the Quebec provincial elections of 1973;
- B. the Skyshops affair;
- C. the Abitibi-Price incident;
- D. the Simpsons incident;
- E. the Pépin-Aquin incident.

A. The Reporting of the Quebec Provincial Elections of 1973

According to certain newsmen, the reporting of 1973 provincial elections in Quebec were doctored by the News Department, through layout and presentation of articles. During the 1973 Quebec elections, the general management of La Presse assigned to news assistants and 20 journalists to cover the campaign intensively and in depth. According to certain newsmen we interviewed, manipulation was effected through layout, the location of the articles and the writing of headlines in order to favor the political party in power. Other newsmen, however, felt that several articles were rejected or revised because of their form. Questioned on that claim, Roger Lemelin stated that there was not only never any conscious manipulation, but that no directive was ever issued regarding revision of articles or headlines to favor the Liberal Party, then in power. Mr. Sisto emphasized that the 1973 campaign was supervised by him personally (in the evening) and by the News Director (in the day) in close, continuous cooperation, each being assisted by a unionized division chief. Mr. Sisto insisted that a special structure was set up for each election to ensure the quality of the analyses and reports during these periods. According to one analysis of the contents of the reports and articles published during the electoral campaign of 1970, only Le Devoir and La Presse escaped the polarization manifest in other Montreal newspapers. In fact, half of the articles in LaPresse were neutral, 29.1% favored a party and 21.7% were against a party. On the basis of a sampling of the articles, it was impossible to identify the preferred party although, editorially, La Presse, like Le Devoir, supported the Liberal party (Lamothe and Desjardins, 1976).

B. The Skyshops Affair

According to the President of the Syndicat Général des Communications at La Presse, on April 28, 1975 a flock of lawyers descended on La Presse demanding the revision of an article in which the names of Paul and Louis Desmarais were linked to the Skyshops Affair. The lawyers are alleged to have demanded that the unionized desk chief immediately re-edit the news item.

Mr. Lemelin stated he had no knowledge of this incident, and said that if it had occurred, news of it would certainly have reached other newspapers. Mr. Sisto, who was also questioned, categorically denied the allegation and insisted that he personally, with the author, edited the text on Skyshops, which he had revised in accordance with recognized and uniformly applied professional standards (What are the sources? What is their credibility? What proof is there? etc.). Mr. Sisto stated moreover that the President of the Union was not present and that several union members could testify that no group of lawyers "invaded" his office on that particular evening.

C. The Simpsons Incident

One newspaperman referred to the withdrawal of an article on consumer protection that had been placed near a Simpsons advertisement. According to this journalist, the News Department, as a result of external pressures, withdrew the article but published it the following day in a column well apart from the advertisement.

Neither Jean Sisto, nor the particular division chief remember the incident and they stated that they heard nothing about it. According to Mr. Sisto, the layout could have been modified by a city desk officer or through a shop error. He emphasized that La Presse always takes an impartial position on this kind of news and that he personally has never been the object of external pressures from advertisers.

D. The Abitibi-Price Affair

During an exclusive interview of Paul Desmarais by a journalist (Jean Poulain) of La Presse, which Messrs. Lemelin and Sisto attended, Paul Desmarais had discussed the offer to purchase submitted by Power Corporation to the shareholders of Price Ltd. The journalist had written an article on this particular subject. After its initial publication, the text of the article was revised by the News Department without removing the author's byline, as required by the collective agreement. According to the journalists, Mr. Lemelin personally intervened and instructed the News Department to revise the journalist's text. Mr. Lemelin justified his intervention on the basis of the following arguments:

- (i) The journalist had poorly interpreted the words of Mr. Desmarais, and certain elements of the account were contrary to fact. Under the terms of the collective agreement, news must conform to reality, be accurate and include all essential facts.
- (ii) The first version of Mr. Poulain's text could have caused unjustified wrong to the shareholders of Price and of Power Corporation, and it contravened certain provisions of the regulations of the Stock Exchange Commission. For instance, it could have led the public to buy shares of Abitibi Paper.
- (iii) An error was committed, however, by the News Director, who neglected to remove the journalist's byline following the revision of his initial version of the article, published on November 21, 1974.

E. The Pépin-Aquin Incident

In a letter addressed to Roger Lemelin and published in the August 7, 1976 edition of Le Devoir, Hubert Aquin stated that "the journalists at

La Presse would be surprised (but perhaps not really) to hear that even the News Department takes orders from Guy Pépin and that, despite the security walls surrounding freedom of information, Guy Pépin, shadow of Power Corporation, takes precedence over everyone." This statement was so important for our study that we insisted on verifying it as thoroughly and as rapidly as possible by contacting the persons concerned. Because of the seriousness of such an accusation, Mr. Lemelin agreed and summoned Mr. Pépin.

As an introduction (and before the arrival of Mr. Pépin), Mr. Lemelin indicated that Mr. Pépin was an expert with advertising and pension funds, but not in the management of his own public relations. Mr. Lemelin said he retained the services of Mr. Pépin because of his competence and in order to increase the advertising revenue of La Presse. Mr. Pépin, before coming to La Presse, had owned an advertising and consulting company and had no contracts with Power Corporation. In addition, Mr. Lemelin stated that Jean Sisto, the Assistant Editor, was not a man to be influenced by anyone, whether it be Mr. Pépin or anyone else. If Mr. Pépin had occasion to contact Power Corporation, he must (and Mr. Lemelin emphasized this point), like any other employee of La Presse, refer the case to the President and Editor. Conversations between the management of La Presse and representatives of Power Corporation always take place in the presence of Mr. Lemelin himself, or with his explicit approval. Astonished by Mr. Aquin's statement, Mr. Pépin made the following remarks:

- (i) During his activities as Assistant (Revenue), he had occasion to have friendly and professional contact with Jean Sisto who, as Assistant Editor, is a member of the Board of Directors, the Executive Committee of La Presse and the Management Committee of the company. In fact, newspaper sales (circulation) and advertising sales within La Presse are intimately linked to the news product delivered to the readers. Contacts must thus be frequent.
- (ii) Mr. Pépin stated unequivocally that he never attempted to alter the news contents of La Presse, thereby categorically denying Mr. Aquin's statements.
- (iii) On the subject of relations with Power Corporation, Guy Pépin averred that he answers to one supervisor only: Mr. Roger Lemelin. He contacted representatives or management of Power Corporation only when he has been instructed to do so by Roger Lemelin. In the case of the management of Power Corporation contacting him, it was always through Messrs. Desmarais or Lemelin and with the express permission of Mr. Lemelin.
- (iv) Mr. Pépin indicated, moreover, that as far as recent acquisitions of La Presse are concerned, Messrs. Lemelin and Desmarais requested his advice and comment. Mr. Pépin complied with these requests from his superiors.

As for Mr. Aquin, we regret that it was impossible to meet with him before terminating our study in December 1976. We learned with regret of his death at the beginning of 1977.

In spite of our investigation, the incidents of direct intervention we have been able to identify are limited, and seem to the outside observer, rather like signs of latent and overt labor relations conflicts. The reported incidents do not in effect demonstrate any calculated intention to interfere on the part of Gesca or the owners of La Presse. They demonstrate at the most that on occasion the News Department and the management of the newspaper intervened in a manner that could give rise to problems. It should be remembered, however, that, by virtue of the daily need to assign journalists and to exercise a choice of material to publish from the texts and wire dispatches, certain conflicts and errors of judgment are bound to occur.

Given on the one hand the constant bureaucratic pressures within press organizations and, on the other, the individual or collective powers of employees, one could not logically expect to witness repeated cases of direct intervention on the part of management and the owners. The real controls on quality and news content are actually carried out, either through organizational mechanisms regulated by the News Department and by the journalists' union, or through the individual application of the professional code of ethics by the journalists. In addition, the journalists employ the term "self-censorship" to describe the individual decision of the journalist not to present a version or versions of the facts that will cause certain problems for him within the News Department.

3.3 ORGANIZATIONAL CONTROL MECHANISMS:

DIRECT INTERVENTIONS

The managing of organizations is not limited to the administration of things but, in the words of Saint-Simon, it also includes the managing of men. Organizations, if they wish to assure a minimal level of cooperation and coordination between the people involved in the tasks to be carried out, must implement organizational controls or profit by prevalent social controls. That leads us to the problem of organizational control, which we shall study next.

The object of social and organizational controls is to reduce uncertainty and to make individual behavior partially predictable. They are especially designed to harmonize individual acts within the limits of the possible, through communication and decision-making mechanisms, to obtain general coordination. In addition to the better-known mechanisms of organizational control, like the inroads of bureaucracy (hierarchical authority, specialization, and standardization of procedures), and the establishment of decision-making systems and authority, social researchers are among those who are interested in other more subtle mechanisms such as recruitment, promotions and the organizational climate, all situations that show how power is distributed between the various elements of organizations (Tagiuri, 1966). The communication of specific assignments to the employees or members of an organization, which permits emotional involvement and identification with the assigned work, is also a subtle control mechanism (Selznick, 1957).

Organizational controls may be implemented by a company's management or developed jointly with the labor union. Social controls represent common cultural values, social or professional standards, or even group standards. Of course, social controls are not all uniform in degree. On the contrary, they often challenge management's power (Schein, 1974). Social controls influence the attitude of members vis-à-vis the company but are not subject to the authority of management. They may support or thwart the organizational mechanisms of control.

From the point of view of the individual, organizational control can be viewed as an inducement and compliance to social or organizational standards. That takes the form of an explicit or implicit decision made by the member as long as his membership in the company or organization lasts.

According to Amitai Etzioni, the decision to comply refers to a dynamic relationship in which the individual, on the one hand, conforms to organizational directives from the power holders, and on the other hand, participates himself in this relationship in accordance with his subjective interpretation. The company may exercise its power in several ways: coercion, material rewards or symbolic and moral rewards.

In other words, a company's management may use material rewards and symbolic rewards in order to induce the individual to offer his talent, decisions and efforts to the company. Coercion is rarely used, although employees may consider certain actions on the part of the company to have a coercive effect. On the other hand, employees may contribute under three types of subjective interpretation: alienating commitment, which leads to negative and hostile attitude toward the company; practical commitment, which is a strictly economical neutral attitude, and moral commitment, which, on the contrary, indicates profound adherence to the professional standards or to newspaper projects. Consequently, compliance take several forms, three of which are stable and typical: alienation, practical compliance, and regular commitment. The different types of compliance in the relation described above are shown clearly in Table 3.2. Alienating compliance is exemplified by an employee who rejects the goals of the organization and who considers the means used by management to be unwarranted, but stays in the organization because he has no other alternative. Practical compliance could be described as that of a member who compares his compliance to quid pro quo, where the inducements offered lead to an attitude of give and take. Moral commitment occurs when an employee shares the goals of the organization and is motivated by moral and intrinsic rewards, such as job satisfaction. Other forms of consent are possible but are hardly viable over the long term. For example, it would be ineffective for a company to use symbolic rewards to obtain the consent of an employee who views the situation from a pragmatic standpoint.

To assure co-operation and contributions from employees, management of any organization will offer material and symbolic incentives. But managerial incentives are not the only elements in the relationship under study here. In fact, taken individually, employees will expect salary and status rewards as well as pleasant working conditions and other organizational

advantages. Participation by employees in decision-making often appears to be a supplementary motivational incentive used by a company. The attitudes which, on the basis of his subjective preferences, the individual brings to bear on his work, as well as his motivation and his own contribution are often called a "psychological contract". Negotiations between the individual and the organization may also proceed through collective bargaining, which defines some of the terms linking the individual to the enterprise and stipulates certain procedures of labor-management relationships.

3.3.1 The Management at La Presse and Mechanisms of Organizational Control

The management at La Presse could try to use various forms of motivational and organizational controls to obtain the compliance of journalists and define the premises that will guide the employees' individual decisions. Management's aim would then be to avoid direct intervention through immediate, personalized and authoritarian control, which creates tensions in an organization. Those tensions usually go hand-in-hand with an organizational climate hardly propitious to the journalistic profession. If management carried out intelligent implementation of these organizational control mechanisms, they would not have to intervene frequently. That statement brings to mind one of the essential aspects of organizational theories. Control mechanisms are considered by several authors as the most effective and most subtle mode of intervention for owners and managers (Fournier, 1975, p. 211). Nonetheless, this determinist, unidirectional and Machiavellian image is often far removed from reality, for the possibilities of discretionary control by management of a newspaper are often limited. Journalists may also individually or collectively apply pressures that can substantially limit attempts at managerial control.

Rather than listing all the organizational control mechanisms that could be used by the La Presse's management to modify individual premises and behaviors, this section will be limited to the control mechanisms most likely to influence individual behavior. If by the allocation of monetary and human resources, recruiting methods, selection and promotion of personnel, and distribution of rewards, journalists were led individually or collectively to submit articles and reports that reflected management's ideological and professional requirements, management would be less inclined to revise articles and make editorial selections. In short, organizational control mechanisms would in part predetermine the content of news reports.

We have found three possible means of intervention by which management's use of organizational control mechanisms could have modified articles and news content. They are the following:

1. Selective hiring and training that could be used to alter the profile of journalistic resources and, in turn, the supply of articles.
2. The selective allocation of human and financial resources that could have been used since 1968 to cover social, economic and political events.

Table 3.2

FORMS OF CONSENT AND ORGANIZATIONAL CONTROLS

Types of Individual Commitment

Types of power applied by the company

	Coercive Force	Material Compensation	Symbolic Compensation
Alienating Commitment	Alienating Compliance		
Practical Commitment	*	Practical Compliance	
Moral Commitment	*	*	Regular Compliance

* Unlikely forms of compliance hardly viable over the long-term.

3. The distribution of monetary and symbolic rewards that could have been used since 1968 to modify individual psychological contracts as well as the organizational climate.

3.3.2 Possibilities of Intervention Through Recruitment, Training and the Characteristics of Human Resources

In this section, we propose to examine the extent to which La Presse's management since 1968 has intervened according to certain criteria for recruiting journalists and setting up training programs designed to suitably alter the collective characteristics of journalists. This type of intervention would enable management to increase its control over decision-making by journalists and thus alter the meaning of news reports and other articles.

Recruitment and Training of Journalists and Editorial Writers

Recruitment and training are privileged instruments for employers to socialize journalists to the cultural norms of a newspaper. That is one of the most effective means of organizational control (Etzioni, 1961). Indeed, a prestigious newspaper organization will attract candidates from whom, depending on its own criteria of experience and training, it may recruit only journalists whose individual decision-making processes would be predictable and consistent with those of management (Simon, 1957). The criteria used by the management of a newspaper to select the candidates may be of several types. For instance, management could stress journalistic competence, ideological premises, experience, or certain psychological variables. In order to test this first means of intervention, we will describe the recruitment, selection and training methods in use at La Presse.

Recruitment of journalists at La Presse is not carried out on the basis of organizational procedures, i.e. through the Personnel Department. Professional requirements are such that recruiting remains the responsibility of the News Department. A search for candidates for a vacancy carried out both within and outside the company, is undertaken unofficially through informal communications networks and through management journalists consultations. According to Jean Sisto, the selection criteria employed are university education, and sometimes when the search is for a very specialized journalist, professional experience in a particular field with another newspaper. After a first screening of the job application by the division chief, the Assistant Editor, Jean Sisto, meets and appraises the candidate. If the application is still being considered, it is then submitted to Roger Lemelin, who carries out a brief analysis of the applicant's background to assess his ability to fit in at La Presse. The candidate's file is then sent to the Personnel Department where its authenticity is checked.

Also, according to Mr. Sisto, the selection process does not include any screening of political or ideological affiliations. Messrs. Sisto and Lemelin consider the responsibility of a journalist to be primarily

professional; that being the case they attempt to avoid the hiring of organizational activists. The journalists' union is never involved in recruiting and has never boycotted hired candidates. La Presse recruits about six or seven journalists a year to fill vacant or newly created positions. Candidates recruited since 1968 are between 30 and 35 years of age and are nearly all university educated. In addition, they all have professional and journalistic experience. More than 60% of the journalists employed by La Presse have been hired since 1968, i.e., after it was purchased by Gesca Limitée, and are, according to Mr. Sisto, generally young, well educated and ideologically left of centre.

Editorial writers are generally chosen from among the journalists already employed at La Presse. In fact, the labor contract requires the posting of vacant positions within the newspaper. Furthermore, the News Department always promotes internal candidates. Editorial writers are compelled to adhere to the ideological orientation of La Presse. The management of the union informed us, with a touch of bitterness, that for editorial positions the News Department promotes only candidates acceptable to it and by the same token certain journalists are cast aside because of their separatist or socialist leanings or because they could not adhere to the newspaper's ideological orientation. In this regard, Mr. Sisto emphasizes that the News Department always promotes candidates for unionized managerial positions, and attaches particular attention to the selection of such persons. The News Department intends to maintain a style of management based on open discussion, but a style which nonetheless allows for consensus. Therefore, the News Department does not wish to include among its managers, unionized or not, persons of radically opposed viewpoints.

Considering that more than 60% of journalists were recruited following the acquisition of La Presse by Gesca Limitée, owners and management would have had time to implement the first plan of intervention and it should be possible today to ascertain its effects. Throughout our meetings with journalists, we were able to confirm the existence, within their group, of an ideological pluralism representing the various tendencies and the various possible options of our society. We also analyzed and compared the main characteristics of the journalists at La Presse (education, experience, age) to determine the extent to which purchase by Gesca and management by Roger Lemelin could have led to major modifications. As Tables 3.3, 3.4 and 3.5 indicate, the level of education and the number of years of experience upon joining La Presse have changed very little among the three groups of journalists, on the basis of their number of years of experience at La Presse: those who were recruited after 1972, those who were hired between 1968 and 1972, and finally, those who were already employed at La Presse before its purchase by Gesca Limitée. More precisely, Table 3.3 gives the average age of the journalists and the number of years of experience prior to their joining La Presse. They averaged seven years of professional experience when they joined the newspaper. The educational background of the journalists is shown in Table 3.4. Thirty-nine of them are university graduates, 20 have undertaken university studies without completing them, 53 have completed college or classical courses, and 12 have graduated from secondary school. In addition, the number of years of experience upon entry at La Presse and the

distribution of educational backgrounds does not vary significantly in the three groups studied (Table 3.5). Therefore, in spite of the news management's efforts to recruit better trained candidates, the characteristics relating to the level of education remain unchanged among the 78 journalists hired since 1968.

As for editorial writers, the average age was higher than that of news reporters, that is, approximately 48 years. The rate of turnover is very low, although certain editorial writers sometimes choose to revert to the position of journalist. Editorial writers are required to make numerous research trips and their salaries correspond to those of division chiefs.

La Presse does not currently attach a great deal of importance to the training of journalists. Even though the labor contract stipulates a system of sabbatical leave and a bursary from the Editor, the amounts that management allocates to personnel training are generally not entirely spent, for lack of demand. According to management, the Editor's bursary often remains without a recipient. Journalists in the economic and financial sectors generally make specific requests, while in other sectors, applications must often be proposed by management. To that end, the News Department consults division chiefs to find out what candidates would be interested in training sessions. As such requests are very rare, they are generally accepted. By common agreement, certain division chiefs and some journalists have worked temporarily for other Canadian newspapers, such as The Globe and Mail; others have gone to France, within the framework of Franco-Québécois exchanges. No training internship have been requested in the United States, in newspapers such as The Washington Post or The New York Times. The Fédération professionnelle des journalistes du Québec is not deeply committed to training journalists; rather it is perceived, at least by the journalists we met, almost as a union organization. Neither the labor contract nor the administrative procedures stipulate an annual evaluation of the journalists' performance. Evaluation of journalistic production and quality is done as the need arises by the News Department.

As a conclusion to the use of this first type of intervention, we have two comments to make. First, we have found little change in the educational and experience characteristics of the journalists employed by La Presse, whether they were recruited before or after it was purchased by Gesca Limitée. More than 60% of the journalists currently employed at La Presse were recruited after 1968. We have been able to note, among the journalists interviewed, many who subscribed to a variety of ideological schools of thought. It cannot be concluded therefore that there is a desire to recruit only journalists likely to conform to the official ideology of the newspaper. According to Mr. Sisto, today's recruits are younger and better educated than their predecessors in 1968 and are ideologically left of centre. The competence criterion seems to play an important role as union management also admits. Conformity to ideology does not apply at the journalistic level. Several articles published in the section Pleins

feux, for example, analyze subject matter often from opposing viewpoints. The management of the newspaper and the union management both agree on this point.

3.3.3 Possibilities of Intervention Through the Use of Human and Financial Resources

The assignment of human and monetary resources, first in the news sector and second within senior management, could, in the long term, adversely affect articles and the coverage of events. For instance, coverage could be altered through the channeling of resources into slanted and privileged sectors. Thus, the managers of the News Department would be able to construct versions of reality that would be in line with their interests, regardless of journalistic resources available or the nature of the events to be covered (Hall, 1974). This is a second and subtle means of intervention. Its effectiveness would, of course, depend on the number of competitive sources of news available to the public. In this section, we shall attempt to see to what extent the directors and owners of *La Presse*, after its purchase by Gesca Ltée in 1968 have tried to modify, first the total resources assigned to journalistic activities, and next the use of these for different news activities. We cannot hazard any guess as to management's intentions, but logic allows us to check whether there have been important changes in the assignment of resources since 1968.

Assignment of Resources Since 1968

The economic resources available to a newspaper such as *La Presse* and the proportions in which they are allocated to news and editorials are in fact the primary influence exercised on the published news. As shown in Tables 3.6 and 3.7, news and editorial expenditures account for about 12% of total expenditures. That proportion has remained stable for several years, even though the total budget grew from \$20,000,000 in 1967 to \$42,000,000 in 1975. Expenditures other than those of the News and Editorial Departments account for 88% of the total and are related to printing and raw material costs as well as distribution and administrative costs. According to Jean Sisto, these proportions are roughly the same in Canadian newspapers of comparable size. More specifically, *La Presse*'s news and editorial expenditures accounted for 12.1% of total expenditures before 1975. (See Table 3.6). These variations have no significance and show that owners and managers have not made any substantial changes in the proportion of resources allocated to news. There have been no relative increases or decreases. In absolute figures, the news service's total expenditures nonetheless grew from \$2,369,000 in 1967 to \$4,951,000 in 1975.

The Allocation of Financial Resources Relative to the Manner in Which News is Gathered

Would *La Presse*'s management have tried to restrict the relative importance of its journalists in news gathering by relying more heavily on newswire services or contributions by outsiders? In this respect, a study of ledger items is revealing (see Table 3.7). Expenditures on wire

Table 3.3

AGE AND EXPERIENCE OF THE JOURNALISTS
AT LA PRESSE

Years of Experience	Average Age of Journalists	Average No. of Years of Experience Before La Presse	Total Number of Journalists
0 to 4 years	31	7	44
5 to 8 years	38	6	35
9 years and over	46	7	45
Total	38		124

Source: La Presse

Table 3.4

TRAINING AND EDUCATION OF JOURNALISTS AT LA PRESSE

University			Classical and College Courses		Secondary School	Total Number of Journalists
	Masters Course	Bachelors' Course	Completed	Uncompleted		
	5	34	20	37	16	12
	47,6 %			42,7 %		9,7 %
						100 %

Source: La Presse, January 1977.

Table 3.5

TRAINING AND EDUCATION OF JOURNALISTS ACCORDING TO THEIR EXPERIENCE AT LA PRESSE

Table 3.6
News Department's Expenditures and Other Data

	1966	%	1967	%	1970	%	1971	%	1975	%
<u>Sales</u>										
Circulation	\$ 4 900 000						\$ 5 694 000		\$11 196 000	
Advertising	\$16 700 000						\$17 414 000		\$35 700 000	
<u>Expenditures</u>										
Paper, Ink and Production	\$ 8 176 000						\$11 002 000		\$18 993 000	
Promotion of the Newspaper	\$ 2 215 000						\$ 2 959 000		\$ 4 951 000	
News and Editorial	\$18 430 000	12 %	\$19 561 000	12.1 %	\$23 386 000	13.1 %	\$21 273 000	13.9 %	\$42 393 000	11.7 %
Total										
<u>Personnel</u>										
Other Financial Data							\$ 3 100 000		\$10 000 000	
Cash Flow	\$ 3 100 000						\$19 000 000		\$28 700 000	
Total Assets	\$17 781 000									
Profits Before Sales/Taxes										
Profits Before Taxes										
Total Assets										

Table 3.7

SOME ITEMS OF EXPENDITURE OF LA PRESSE'S NEWS DEPARTMENT

	%	1968	\$	%	1970	\$	%	1975	\$
	5,5	147	126	6	182	017	4,2	211	640
Newswire Agencies	3,1	83	893	3,2	97	324	5,3	268	675
Travel Costs (Journalists)	1,5	39	655	2	59	824	1,3	64	177
News via Telephone	81,6	2	175	108	79	2	403	877	78,6
Salaries and Social Charges	6,4	170	824	8	244	797	4,3	215	388
Managers	75,2	2	004	284	71	2	159	080	74,3
.Journalists and Other Newsroom Employees	3,4	89	427	2,8	85	162	3,8	190	285
Outside Contributions	2,8	75	256	1,5	45	346	1,3	63	428
Select Articles and Comics	97,9	2	610	465	94,5	2	873	550	94,5
Total Expenditure									

Source : La Presse

Since not all expenditures are shown, the various tables will not add up to 100%.

agencies were \$147,000 in 1968 and \$211,640 in 1975, respectively 5.5% to 4.2% of the total news budget. Jean Sisto says that whenever possible, he prefers to print articles written by his own journalists rather than rely on wire agencies' copy. Furthermore, news items from all wire agencies are analyzed, translated and rewritten by La Presse's journalists. Expenditures for travel costs and investigative articles have grown substantially, from \$83,893 in 1968 to \$268,675 in 1975, or from 3.1% to 5.3%. This growth arises from the News Department's decision to give as much coverage as possible to national and international news. Managers' salaries and fringe benefits grew from \$170,824 to \$215,386; a relative drop from 6.4% to 4.3%. According to the Assistant Editor, compared with other newspapers, the number of news managers is proportionately lower. Salaries and fringe benefits of the journalists and other members of the staff have retained about the same percentage, that is, from 75.2% in 1968 to 74.3% in 1975, while funds spent on these items grew from \$2,004,284 in 1968 to \$3,735,357 in 1975. During the same period, amounts spent on outside contributions have not increased significantly in terms of percentage; they amounted to 3.4% in 1968 and 3.8% in 1975. A clause in the union contract restricts recourse to outside contributions to 6.5% of total salaries of unionized workers in the News Department, overtime included.

The Allocation of Financial Resources
Based on the Division of Labor

The allocation of expenditures based on organizational division and journalistic experience could be used as a means of developing or restricting the capability of certain sections of the News Department. In this regard, we have gathered the following data.

Table 3.8 shows a breakdown of expenditures by the news managers of La Presse during 1968, 1970 and 1975, based on the major horizontal specializations (accounting items). It shows first that the funds spent on editorial activities grew from \$41,000 in 1968 to \$178,000 in 1975, or relative percentages of 1.7% and 3.4%.

Managerial expenditures have grown from \$293,686 to \$509,967 since 1974; they include, however, travel expenses and investigative reporting budgets from all branches. They decreased in percentage from 11.6% to 9.6%. Documentation, the Economy and Sports, as well as the semi-weekly suburban inserts, seem to show both absolute and relative growth, while Politics, Arts and Letters, and the Quebec City and Ottawa bureaux show either absolute or relative decreases. Expenditures by the general news pool, which is responsible for the "hard" news, increased from \$582,814 in 1968 to \$1,098,028 in 1975. Expenditure variations between the columnists' contributions, however, can also arise from changes in accounting systems, or structural and organizational changes.

Table 3.8

BREAKDOWN OF EXPENDITURES BY LA PRESSE'S NEWS DEPARTMENT

	% 1968	\$	% 1970	\$	% 1975	\$
News Department's Managers	11,6	293 686	9,5	290 345	9,6	509 967*
Editorials	1,7	41 912	2,7	81 667	3,4	178 056
News Department and Articles from Outside Sources (Wire Agencies, Outside Contributions and Personnel)	15,4	389 710	18	548 049	16,2	858 536
Graphic Arts and Illustrations	10	254 402	12,7	384 976	9,4	496 841
General and Local News (Pool)	20,8	528 814	12,9	391 440	20,7	1 098 028
Politics	6,9	174 589	5,6	171 173	5,2	277 047
Outside Bureaux (Quebec City and Ottawa)	6,3	160 145	7,1	214 881	4,2	223 156
Arts and Letters and Tourism	15,4	390 999	15,6	414 782	6,7	356 042
The Economy	2,7	69 312	5,1	153 826	4,3	227 647
Sports	5,8	147 527	7	213 910	7,2	384 950
Documentation (Research)	3,5	87 586	3,8	116 489	5,3	283 019
Suburban Inserts					7,9	420 000
Total		2 538 682	3 041 538		5 313 289	

Source: La Presse

*Since 1973, all travel costs have been charged to the News Department.

The Allocation of Reporters

The number of journalists available, and the allocation of those journalists within specialized fields, undoubtedly influence the type of news that will be printed by confining newsmen to specific sections.

The News Department, which controls the number of newsmen available as well as their training can influence the coverage of events, because a good many of the newsmen's activities become routine and limited to specific informational spaces. Many authors have suggested that the allocation of reporters to columns such as Politics, Economics and Sports shows a desire to intervene on the part of the owners and managers of La Presse. In particular, a manifesto published by the Syndicat des journalistes suggests that the number of political reporters has decreased noticeably since the newspaper was purchased by Gesca Ltée (Fournier, 1975). It is relevant then to study the evolution of the allocation of journalists at La Presse to see whether there have been significant variations since 1968.

It is important to understand clearly the exact framework within which the information staff works. Editorial and journalistic activities are subdivided into three sections: the News Department, the Editorial Department, and the News Secretariat. Journalists are to be found mostly in the first two sections: from 132 in 1965 to 198 in 1975. There were 29 section and division chiefs in 1975, whereas there was none before 1968. The relative decrease in the percentage of journalists within the News Department is due to changes in the methods of accounting for human resources and to the changes in the hierarchical structure. In fact, in 1965 the term "journalist" included copy editors, and their assistants and under-assistants, as well as the editorial personnel, while in 1975, human resources included only those in the editorial, and news and documentation sections, as well as the section and division chiefs.

Most of the journalists, division chiefs and section chiefs make up the News Department, along with the desk editors and wire agency editors, since the production section and the general pool are attached to it. At the time of our inquiry in 1976, journalists worked in nine "beats" or sections headed by unionized section chiefs. The sections (or "beats") are the following:

1. The Economic and Financial pages: one division chief and 12 reporters;
2. The Quebec City Bureau: one divisional chief and five reporters;
3. The Ottawa Bureau: one divisional chief and four reporters;
4. Local, national and international politics and public affairs: one divisional chief and 13 reporters of whom two specialize in national affairs, seven in international affairs and four in public affairs;

Table 3.9

Journalists at La Presse

	Number 1965	(%)	Number 1970	(%)	Number 1975	(%)
Managers	6	4,5	6	3,5	8	4
Editorial and Documentation	-	-	-	-	23	11,6
Reporters	86*	65,2	85**	50	94	47,5
Section and Division Chiefs	-	-	38	22,4	29	14,6
Clerks and Secretaries	23	17,4	24	14,1	27	13,6
Graphic Artists and Photographers	17	12,9	17	10	17	8,6
			132		170	
					198	

Source: La Presse

* Includes Section Chiefs and Editorial Writers

** Includes Editorial Writers

5. General information: two divisional chiefs and 41 reporters, of whom 21 belong to the general pool. Within that pool, some reporters cover social affairs, the environment, housing, consumers' affairs, public affairs and general reporting. In addition, the pool includes all reporters covering the Courts, three covering City Hall, one covering the scientific beat and five whose special task is to prepare the special Weekend Edition.
6. Arts and Letters, and Télépresse: one divisional chief and six reporters;
7. Vivre aujourd'hui (Living Today): one divisional chief and six reporters;
8. Sports: one divisional chief and 15 reporters;
9. Graphic Arts: one divisional chief and 18 photographers and graphic artists.

The number of reporters has increased between 1965 and 1970 in five sections: Economics and Finance, International Politics, General News, Urban Affairs and Sports, as shown in Table 3.10. On the other hand the number of reporters working in the outside bureaux, National Politics and Public Affairs Departments have remained relatively stable since 1965, except for an increase, in some cases, in 1970. We have made a detailed study of these major headings. They show that there have been several changes in the General News sector. The increase in the number of reporters in the General Pool arises from the decision to break down the specialties within which reporters operated and to increase flexibility. Indeed, in 1968, management had decided to set up a structure based on sections that generally corresponded roughly to the nine beats listed above. But this high degree of specialization led to organizational rigidity. The present management therefore decided to enlarge the General Pool to cope with unforeseen events and break the barriers that segregated the journalists' activities. The growth in the Urban Affairs section is due to the publication of the bi-weekly inserts Rive-Sud and Rive-Nord. Although the number of personnel in the Public Affairs section was reduced in 1976, it has access to the services of six general news pool reporters in the fields of environment, consumer affairs, agriculture, labor and social affairs. There was also a reduction of personnel in the Arts and Letters section; Jean Sisto explained that it is due to the cancellation of Spec, which covered the entertainment field and which was published by La Presse between 1968 and 1972. The newsmen who worked on Spec have either been transferred to the Arts and Letters section or have left the newspaper.

The growth of the Economic and Finance section results from a managerial decision dating back to the late 1960s. Mr. Sisto agrees with that decision, which is still in force, for the following reasons:

1. It was necessary to catch up with developments in these two fields. This "beat" has been neglected previously by La Presse, although economics is an important part of social

Table 3.10
Evolution of Journalistic Resources by Sector

	Number of Journalists		
	1965	1970	1976
The Economy and Finance	4	9	12
Outside Bureaux			
.Paris	1	1	1*
.Washington	-	-	0*
.Quebec City	5	5	5**
Politics			
.National	3	5	4
.International	4	6	7
General News			
.pool	15	12	28
.Weekend	4	12	6
.News Items	9	13	10
.Urban Affairs	7	5	20
.Public Affairs	4	7	4
Women's Pages	6	7	7
Arts and Letters	6	8	
Entertainment Shows	1	11	16
Sports	9	14	15

Source: La Presse

* Specialized Freelance Correspondent

** The Position is Vacant

activities. "The Economy" column refers to several facets of the labor field and is not strictly restricted to financial news.

2. The assignment of journalistic resources in the "The Economy" section reflects the transition within Quebec from agriculture to industry and services. Furthermore, Jean Sisto believes that the assignment of reporters to the labor beat is adequate. In fact, three newsmen spend most of their time on that beat, which is closely related to "The Economy" beat.

In answer to our questions about politics and to statements made in the manifesto published by the journalists' union during the 1971-72 labor dispute Mr. Sisto believes that the number of reporters assigned to politics has not decreased (Lord, 1971). On the contrary, they are more numerous than was the case in 1967. In fact, during the 1960s some of the journalists in the Political Section were assigned to local Quebec City news and to political columns. For the past few years, newsmen in the political section have covered exclusively provincial, national and international politics. The newspaper currently has five journalists working in Quebec City, three in Montreal, and several reporters who cover national political news within the various sections. A few years ago, it was decided to assign a reporter to all activities relating to the forthcoming Olympic Games facilities. The reporter discovered important facts and is still following up even though the Games are over. Likewise, the coverage of international news is being given increasing attention.

The evolution of the Quebec City Bureau has been as follows. During the early 1960s, some 10 employees worked in the bureau, at a time when La Presse each day printed several pages of provincial news, including two pages of local Quebec City news. Following the departure of Jean-Louis Gagnon and the arrival of Gérard Pelletier, this form of provincial coverage was abandoned. In 1963, eight staffers worked in the bureau, including one reporter who covered exclusively Quebec City news. In 1965, after some reporters had left, the staff consisted of six people. In 1976, the staff of the Quebec City Bureau again consisted of six people: five reporters and one secretary. The management of La Presse is planning to assign a sixth reporter to its Quebec City Bureau in 1977.

In conclusion, the allocation of funds (Table 3.8) and of reporters (Table 3.9) shows that the distribution of resources has not significantly changed, except in the case of the Arts and Letters division. The relative level of expenditures on wire-agency news and outside correspondents, after showing an increase in 1970, has returned to the 1968 level; so has the general news pool. The staffs of the economy-finance, international politics, urban affairs and sports sections have been increased. As to the political beat, we have already stated the facts that explain the changes within it. We must, however, suggest to the reader that interpreting these variations calls for caution. In fact, the assignment of journalist and news coverage are more like a fluid matrix than a structural separation of journalistic specialties.

3.3.4 The Detailed Plan of Intervention Through a System of Rewards and the Organizational Climate

In this section, we shall try to gauge the extent to which the management of La Presse has used two organizational mechanisms to control human resources; that is, the creation of a rewards system and the development of an organizational climate favoring adherence to the norms and values of management. The question is: "Has the management of La Presse, since 1968, used financial or intangible rewards to influence the newsmen's individual decisions?"

The Machiavellian purpose of such a system or plan would be to design "psychological contracts" that would favor "control" of information by the journalist himself. In this matter the reporters, either because of a real and generally held adherence to professional principles, or through self-censorship, would write articles whose content would be in harmony with the explicit and implicit requirements of the News Department's management. "Self-censorship" is a term used by the journalists, referring to their decision to write articles that meet the perceived or stated expectations of management, with the aim of protecting their privileged status within the organization.

The reward system to which we refer naturally is an addition to the scale of salaries based on the union contract. From this standpoint, management could, for example, resort to the following inducements: additional remuneration as a reward for work of high quality; tacit recognition of "star" reporters and favored treatment of the articles written by them; the allocation of special travel expenses and research fees for in-depth articles, and so on. It is worth noting that the inducement which management could use are by definition intangible and professional, and therefore difficult to define in a labor contract. Responding to such stimuli, journalists decide to provide the News Department with the sort of article it "expects" of them; to write articles whose content would be concrete and analytical rather than militant, articles written according to professional journalistic standards now current in North America and, finally, articles written in accordance with editorial policy. Individual reactions are in fact bribes that are difficult to turn down; in these cases, compliance would reduce work satisfaction and increase the degree of alienation. Others accept them as tacitly understood quid pro quos. Finally, many newsmen consider such inducements merely as a form of recognition of their professional worth.

It would be impossible, within the terms of reference of this study, to analyze the intentions of managers and journalists regarding inducements or compliance with the tacit rewardsystem. Within that framework, however, we wish to study some procedures which could allow the News Department to use a specific incentive policy, more particularly through:

1. The allocation of travel expenditures;
2. the segregation of non-conformists;
3. inducements to "star" journalists;
4. the newsmen's salaries.

1. The Allocation of Travel Expenditures

The substantial increase in traveling expenses within the News Department, particularly with regard to coverage of international news, is viewed by some journalists as an indication of La Presse's comfortable financial situation, which enables them to provide work of high quality. Many journalists believe that the newspaper's financial resources make possible international reports, in-depth reports and ongoing investigations that could not be provided by other newspapers in Quebec. Others, on the contrary, feel that the money spent on travel and special in-depth reports is a Machiavellian inducement that inevitably leads the journalist to practise "self-censorship". In fact, some reporters accuse their co-workers who dispatch reports from abroad of writing low-quality articles aimed at not endangering the favoritism which they enjoy.

According to Mr. Sisto, such expenditures are never used as a means of influencing the journalists. Travel expenditures are checked, and sometimes challenged and turned down. He believes that the writing of news reports from abroad is very demanding and should be assigned only to high-calibre reporters. Furthermore, the decision to assign reporters to foreign news duties are taking during planning sessions that are attended by divisional chiefs. Considering the amounts of money involved and the complex nature of the events that are to be reported by the journalists, the News Department believes that only the most competent journalists must be chosen for such assignments. One cannot, for instance, "reassign" inadequate coverage of American elections. The increase in travel budgets can be attributed to an increase in the number and inflation costs of such trips, and not to the amounts allocated to each of them individually.

According to Mr. Sisto, the free tours offered by airlines or tourist organizations are assigned in a discretionary manner, by the News Department's management, to journalists who have performed work of exceptionally high quality for areas which journalists have few occasions to visit. Furthermore, the News Department's management accepts only a few such invitations (five or six in 1976). Although the union contract contains a provision for the assignment of such tourists' tours, the Assistant Editor does not comply with it, for he wishes to accept as few as possible of those offers and to choose only those that do not commit the reporters in any way whatsoever. Moreover, the provisions of the labor contract do not permit any grievance relating to this item.

2. The Segregation of Non-Conformists

According to union leaders, the News Department's management makes life difficult for those newsmen who do not conform with the tacit and official ideology prevailing at La Presse. Difficulties are put in the way of the journalists who hold socialist and separatist views. Union leaders claim, for instance, that some unionized divisional chiefs who act as liaison between the News Department and the newsmen systematically neglect the non-conformist newsmen and give them uninteresting assignments. The managers of the News Department do not agree that they isolate the non-conformists,

and they point out that the question revolves around interpersonal or professional problems rather than exclusion on ideological grounds. Management avoids favoritism in any form, but is of the opinion that any journalist whatever his training or the high quality of his work, cannot write well on all subjects; it is only in this context that reporting assignments are made. According to the journalists we interviewed, those who favor separatism or socialism can work free of hindrance at La Presse. Nonetheless, certain positions, particularly those of editorial writer and divisional chief, are less accessible to them.

3. Inducements to "Star" Journalists

The managers of the News Department assert that they do not resort to a systematic policy of allocating travel expenses, preferential treatment to selected articles or additional compensation in cash to "star" journalists. Nonetheless, when a journalist earns a prize for excellence, the newspaper's management, as a token of esteem, offers an amount of money equal to that of the prize. Furthermore, some journalists, considered as authorities in their specialized fields, are paid the same salaries as section chiefs without having to perform the same duties. Often those journalists refuse all hierarchieal promotions that are attached to the monetary rewards; in such cases the managers of the News Department take the view that, by virtue of their specialized expertise and the importance of the field they cover, those journalists in fact do take on responsibilities that are akin to those of supervisors working at higher levels in the hierarchy. They are often required to work overtime hours for which they are paid. Finally, management offers supplementary intangible rewards to "star" journalists. It allows them, for instance, greater freedom of action and accepts amicable arrangements, since they can count on the "star" journalists' ability to produce.

4. Journalists' Salaries

The policy regarding journalists' salaries, according to management, is strictly in accordance with the union contract. Management grants no additional remuneration to journalists, except in the case of some "star" performers. La Presse's management does not apply a scale of professional remuneration that would overlap that of managerial employees. The managerial salary scale, by virtue of the department's policy, always exceeds the journalists' salary scale by approximately \$5,000. Managerial personnel salaries are based on salaries paid in other Canadian or American newspapers.

In short, this third possible means of intervention does not appear to be resorted to in a systematic manner by the News Department. It does appear that the interactions between journalists, divisional chiefs and managers result in standards of behavior and mutual respect that prevent the possible cleavages that could separate the parties concerned.

The News Department does not feel the need to establish special planning mechanisms of the organizational climate, for natural mechanisms have proved satisfactory. It uses inducements to selected "stars" or specialists as seldom as possible.

3.3.5 Conclusion

Management at La Presse is most circumspect in its use of the organizational controls that we have grouped under three distinct categories. During La Presse's development since 1968, there seems to have been no sudden variation toward privileged sectors with regard to the allocation of human and financial resources. The relative decrease in journalistic resources assigned to the political sector is counterbalanced by the growth in resources in the General News pool. The allotment of individual monetary and intangible rewards does not result from a systematic policy. Finally, the labor contract and the journalists at La Presse restrict possible direct or indirect interventions by the management and owners of the paper.

CHAPTER IV

CONCLUSIONS AND AREAS OF RESEARCH

This study had two goals: first, to examine the relationships between Power Corporation and La Presse and, second, to present an analysis of the decision-making and organizational processes that might allow management to influence the content of news published in La Presse. In preparing it we have made the following empirical observations.

4.1 SUMMARY OF OBSERVATIONS

Many of the conditions that enable owners to influence the content of news can be found at La Presse. First, even though La Presse cannot, strictly speaking, be called a Power Corporation affiliate, it is controlled by Paul Desmarais, who simultaneously is Chairman of the Boards of Power Corporation and La Presse, and President of Gesca Ltée. One recurring misgiving that has often been heard is that Power Corporation could use La Presse and Les Journaux Trans-Canada to promote the interests of the Power Corporation group of companies. Secondly, even though Gelco's investments in the print medium were motivated by business reasons, they are subject to the principles laid down by Messrs. Desmarais and Parisien. Consequently, the owners intend that their newspapers respect the public's right to unbiased information, but on the other hand, that they take editorial stands that represent the views of the editor (Gelco, 1970). Thirdly, Mr. Paul Desmarais in 1972 as in 1967, had the opportunity to personally appoint the President and Editor of La Presse. Thus in 1972, following certain difficulties in the field of labor relations and the resignations of some top managers, Mr. Desmarais had an opportunity to appoint a new President and Editor who shared his system of values and the premises on which he based his decisions. It has been suggested that this is in itself a subtle (or inevitable) means of influence. He appointed Roger Lemelin, who, in turn, hired Jean Sisto as the person in charge of information and who later became Assistant Editor. Since 1972, Mr. Sisto has hired more than one-third of the journalists currently working for La Presse and has made some important organizational changes. Thus we find, over a short period of time, the various variables of the "equation of intervention" mentioned by many sociologists, organization theoreticians and political scientists.

The findings that are most relevant to our study lead to the following observations:

1. Power Corporation does not own La Presse outright, but holds an income of Gesca Ltée. This represents the major investment of Power Corporation in the newspaper field. In the final analysis, control of La Presse is vested in Paul Desmarais through Gelco Ltée, which controls Gesca Ltée; in turn Gesca Ltée, which specializes in the newspaper industry, holds

100% of the shares of La Presse. This new ownership structure of La Presse through the medium of Gesca Ltée and Gelco was put into effect before the common shares of the Corporation de Valeurs Trans-Canada were acquired on May 31, 1968 by Power Corporation, so as to conform to the requirements of the special law of August 12, 1967. On May 31, 1968, when Power Corporation thus held, within CVTC's holdings, an income debenture from Gesca Ltée, with a nominal value of \$17,300,000. Effective control of La Presse as a consequence remained in the hands of those who, on May 31, 1968, held effective control of CVTC. In fact, on May 31, 1968, Paul Desmarais became President of Power Corporation but did not exercise control over it.* Gesca's income debenture held by CVTC was paid back in 1969. It was replaced, in December 1970, by a new income debenture of Gesca Ltée, whose current nominal value is \$19,950,000, and which was bought by Power Corporation as an investment in the newspaper industry.

2. Under the terms of a trust indenture of December 1st, 1970, between Gesca Ltée and Montreal Trust, the top management of Power Corporation considered the income debenture as "an equity participation in Gesca Ltée's capital."** More specifically, Power Corporation has the right to receive, after November 30, 1970, as revenue from the debenture, all of Gesca's net benefits, and therefore the retained earnings of La Presse's and Journaux Trans-Canada's shareholders. Before the debenture matures in the year 2020, Power can receive only the dividends declared by the Board of Directors of La Presse and Les Journaux Trans-Canada Ltée.
3. Following the purchase of La Presse by the Corporation de Valeurs Trans-Canada and by Gesca Ltée in 1968, the new owners have tried to introduce systematic management practices so as to rationalize La Presse's activities. As is usually the case in professional organization, this growing formalization was fraught with difficulties. Consequently, at the end of the 1971-72 strike, Paul Desmarais decided to appoint a President and Editor whose managerial style was more in line with the expectations of the journalistic community. He chose Roger Lemelin, who introduced several reforms: a formal definition of the nature and purpose of the newspaper and its ideological orientation, an expansion of the Board of Directors, the establishment of a Management Committee and changes in the editorial staff.

* - Mr. Desmarais acquired effective control of Power Corporation in 1972.

** - The management of Gesca Ltée is about to change the wording of the trust indenture to make it clear that, when the income debenture comes to maturity in 2020, Power will receive all the accumulated net profits that would not have been paid in the form of dividends to Gesca (and later to Power Corporation).

4. Administrative contacts between the upper management of Power Corporation and La Presse are quite rare. Voting rights within the Board of Directors of La Presse are controlled by Paul Desmarais as President of Gesca Ltée and Gelco. Power Corporation holds over Gesca the control rights normally held by a shareholder, under the terms of the trust indenture between Gesca Ltée and Montreal Trust. La Presse sends a copy of its monthly financial statements to Power Corporation so that the latter can determine the consolidated value of its investments, particularly Gesca's income debenture, which is held by Power Corporation. By contrast, administrative relationships between La Presse and Gesca Ltée are comparatively more frequent particularly since Montréal-Matin, Abonneq and Probeg have been integrated with La Presse. La Presse enjoys a high degree of autonomy in decision-making within the Gesca group. That is due to the personality of the President and Editor of La Presse and to the mutual confidence that exists between Messrs. Paul Desmarais and Roger Lemelin.
5. Business relationships between companies controlled by Power Corporation and La Presse were not substantially changed when La Presse was integrated with Gesca Ltée. La Presse has normal business relationships with two affiliates that belong to the Power Corporation group, namely Montreal Trust and Consolidated Bathurst. Business relationships with Gesca are more extensive due to its link with Probec and Abonneq.
6. Direct intervention by Paul Desmarais, Chairman of the Board of Directors, or by Roger Lemelin, President and Editor of La Presse, in the news selection process, is rare. Thus, in spite of attempts to identify specific cases of intervention by Messrs. Desmarais and Lemelin, only a few cases of direct intervention were revealed by journalists for the period 1972 to 1976. It seems that these few instances were mainly indicative of disputes and tensions within the framework of industrial relations.

Members of the Board of Directors of La Presse, with the exception of the Assistant Editor, do not intervene in the processes of choosing the news to be published. As a matter of fact, by virtue of his responsibilities, the Assistant Editor is Chairman of the committees, the tasks of which are to assign coverage responsibilities and to select what will be published. These committees are made up of unionized and non-unionized managers. Thus the decisions to select and public information are reached collectively and involve collaboration of many professionals in the News Department.

7. The management of La Presse is very cautious in its handling of organizational controls. Mr. Lemelin's anti-bureaucratic approach, however, does not a priori exclude all strategic control of certain

organizational variables; the choice of unionized and non-unionized managers in particular is the subject of crucial decisions for both the Assistant Editor and the Editor. Both men carefully scrutinize the files of candidates to managerial jobs, with the aim of ensuring a climate that encourages cooperation and collaboration. As to the hiring of journalists, even though their files are studied by the Assistant Editor and the Editor, many candidates whose beliefs do not conform to the newspaper's ideology are hired. In fact, La Presse has hired more than 60% of its present journalistic staff since 1968. Our meetings with journalists and union leaders seems to show that journalists at La Presse hold pluralistic views with regard to social institutions and values. The newspaper's management has certainly not used selection criteria, the effect of which would have been the hiring of only those persons whose views are closely related to the newspaper's editorial policy.

8. The allocation of human and financial resources to the information department has not been changed significantly since 1968, when control of La Presse was vested in Gesca Ltée. Thus, the percentage of total expenditures granted to the information department of La Presse has remained appreciably the same since Gesca's purchase until 1976 -- that is, approximately 12%. Changes in budgets within the information department, however, show some interesting characteristics.
 - (a) The proportion of wire agency and outside contributions has not increased since 1968.
 - (b) Personnel and financial resources assigned to "editorial, economics, sports and suburban newspapers" have increased since 1968. The sectors relating to "national politics" and "outside bureaux" in other cities have remained stable since 1968. The "international affairs" and "urban affairs" beats, however, show a substantial growth in manpower.
9. The management of La Presse is most circumspect in its use of material and intangible rewards aimed at encouraging journalists who are experts and starts in their respective fields.
10. An analysis of the financial statements shows that La Presse is a profitable enterprise. Earnings after taxes between 1969 and 1975 have fluctuated between 6% and 7.3% of sales. Net gains after taxes, relative to net value, have been approximatley 18% since 1966. Earned surplus and capital stocks in 1975 represented 65.9% of the assets while the medium and long-term liabilities total only 8.9% of assets. The increase in the shareholders' equity is not due to new investment but to the effect of reinvestment of profits and the non-payment of dividends.
11. The distribution of earned and available economic surpluses is made, in some cases, according to criteria of social responsibility and

strategic factors -- for instance, the investments in the Centre Educatif et Culturel and Les Editions La Presse. By contrast, Gesca's purchase of Montréal-Matin clearly results from a competitive strategy aimed at guarding market share in view of Québecor's actions. La Presse's accumulated economic surpluses enable its management to make the investments necessary to integrate its printing, distribution, sales and classified advertising activities.

4.2 AREAS FOR FURTHER RESEARCH

We have seen that the integration of La Presse within Gesca Ltée did not substantially alter the newspaper's journalistic activities and that it has not led to frequent direct interventions by owners and management. Resources allocated to the information and editorial sectors have remained at relatively the same level. Furthermore, we have noted that La Presse's management makes minimal use of organizational control measures. In fact, the risks entailed by the disclosure of attempts to intervene, the social norms of conduct held by managers, the counterbalancing influence of the unions, and public awareness all tend to discourage direct or indirect interventions in the newspaper's journalistic activities.

In other words, it does not appear that the study of direct intervention or organizational control processes is necessarily the best area of research when one seeks to answer the problematical question of how ownership can influence the content of information. The hypothesis of intervention by owners and managers is generally held by intellectuals who believe that conspiracies and control by elites inevitably arise. If, however, owners and management rarely attempt to influence the content of news, due to their sense of social and professional responsibility, or because of in-house or external counterbalancing factors, as appears to be the case with La Presse, it would be unwise to conclude without further analysis that the concentration of ownership or economic concentration in the print medium should cease to be a cause for concern.

For example, some basic problems, such as that of the reflection of a certain pluralism in editorial views, or the risks inherent in a given concentrated market, have not been solved. Thus it is quite possible, even when there are no "conspiracies or intervention", that the very structure of the newspaper industry as it exists now does not sufficiently encourage ideological and economic competition, and that consequently does not contribute to the existence of variety of published opinions.

The problems inherent in economic concentration and concentration of ownership prevail even in the absence of direct or indirect intervention on the part of the owners. Several authors, for example, are of the opinion that in a market structure where economic concentration or concentration of ownership exist, the possibility of interference remains even if the owners and managers choose not to intervene. It is therefore essential to approach the subject from a broader angle, for situations of economic concentration, concentration of ownership and diversification within the mass media sector of industrial, commercial and financial enterprises raise important questions.

Economic concentration in a given market, even though it may be justified by imperatives of economic performance, raises fundamental questions and problems. It goes without saying that the concentration of ownership brings those problems into even sharper focus. In fact, in the newspaper industry, many rights come into open competition with each other: the right of the public to information, the right to publish, the right of ownership and the public interest.

Such questions are outside the framework of our empirical research, as they do not immediately and specifically concern relations between La Presse Ltée, Power Corporation and Gesca Ltée. Nevertheless, the fact that they have been focused upon, perhaps will lead to follow-up and will underline the importance of remaining alert to the problems that could arise in the management and development of the newspaper industry. Economic imperatives and concentration of ownership, as well as the diversification of industrial, commercial and financial enterprises toward the mass communications sector, continue to raise fundamental questions that cannot be resolved through arbitrary and short-term solutions.

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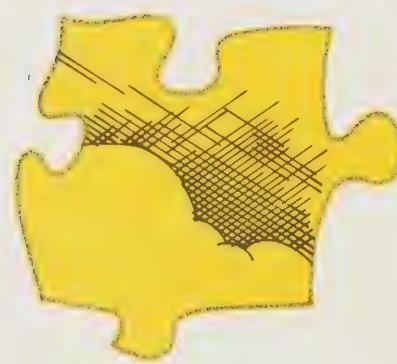
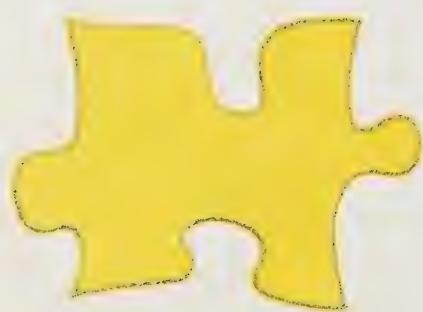
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